

HOUSING AUTHORITY OF THE CITY OF GALVESTON, TEXAS

**BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2022



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**HOUSING AUTHORITY OF THE CITY OF GALVESTON, TEXAS
TABLE OF CONTENTS
YEAR ENDED JUNE 30, 2022**

INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	4
STATEMENT OF NET POSITION	10
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION	11
STATEMENT OF CASH FLOWS	12
NOTES TO BASIC FINANCIAL STATEMENTS	14
SUPPLEMENTARY INFORMATION	
FINANCIAL DATA SCHEDULE	30
SINGLE AUDIT REPORT	
INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	39
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE	41
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	45
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	46
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	47



INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Housing Authority of the City of Galveston, Texas
Galveston, Texas

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the business-type activities of the Housing Authority of the City of Galveston, Texas (the Authority), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Authority, as of June 30, 2022, and the changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the blended component units The Cedars at Carver Park, LLC or Villas on the Strand, LLC (the blended component units), which represent 48%, (8)%, and 14% of assets, net position, and revenue, respectively of the Authority as of June 30, 2022, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended.

Those statements, which were prepared in accordance with accounting standards issued by the Financial Accounting Standards Board, were audited by other auditors whose reports have been furnished to us. Our opinion, insofar as it related to the amounts included for the blended component units above is based solely on the report of other auditors.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions. The financial statements of The Cedars at Carver Park, LLC and Villas on the Strand, LLC were not audited in accordance with *Government Auditing Standards*.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The financial data schedules and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS by us and other auditors. In our opinion, based on our audit and the report of the other auditors, the financial data schedules and the accompanying schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 22, 2023, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Fort Worth, Texas
March 22, 2023

HOUSING AUTHORITY OF THE CITY OF GALVESTON, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022

INTRODUCTION

The Management Discussion and Analysis, (MD&A) provides an overview of the Authority's financial activity for the fiscal year. It highlights changes in the Authority's financial position, presents management's explanations for significant variations in key indicators when compared to the prior year and comments on known current or future events or changes which may affect the Authority.

Casual readers can get a snap shot of the opinions by viewing the last few pages of the audit but those seeking a comprehensive analysis of the results of the fiscal year 2022 operations and the factors responsible for the change in net position should peruse the narratives, schedules, tables and summaries of the ensuing report.

Tenant Revenue decreased slightly due to decrease in units months leased during the year for public housing and blended component units. Expenses were 4% higher and revenue was 44% higher, primarily due to increase in grant funding related to CDBG.

FINANCIAL HIGHLIGHTS

- Capital assets decreased by 7%, a result of asset transfers to The Oleanders at Broadway, LP and normal depreciation of the capital assets.
- Year-end net position increased by 14%, a result of other government grant revenue as the Authority received about \$15.4 million of CDBG funding from Texas GLO for the Oleander project during the year.
- Total revenue increased by 44%. This increase is primarily due to a sizeable increase in Other Government Grant revenue as the Authority received about \$15.4 million of CDBG funding from Texas GLO for the Oleander project during the year.

OVERVIEW OF THE FINANCIAL STATEMENTS

The following Cost Centers comprise the Housing Authority of the City of Galveston, Texas business-type activities:

- COCC-Central Office Cost Center – the overall manager of the Authority's operations.
- LIPH-Low Income Public Housing – divided into three Asset Management Projects (AMPs), owned by the Authority.
- LIPHC-Low Income Public Housing CARES Act – revenue and expenses related to COVID-19 response for public housing.
- DHAG-Disaster Housing Assistance – provides funds for disaster recovery.
- CFP-Capital Fund Program – provides funds for updating and modernizing LIPH units.
- HCV-Housing Choice Voucher program – subsidizes rent for qualifying tenants in units owned by private landlords who have contracted with the Authority to provide housing.
- ICC-Island Community Center – the office building housing the administrative operations of COCC, HCV and other paying tenants.
- GPFC-Galveston Public Facilities Corporation – the non-managing 99.99% owner of The Cedars at Carver Park and Villas on the Strand, both LLC's managed by McCormack Baron Salazar.
- GHARC – Galveston Housing Authority Revitalization Corporation – formed to promote community welfare by providing decent housing that is affordable to low income families in the City of Galveston and the County of Galveston, Texas, and providing support services to the residents of housing.

HOUSING AUTHORITY OF THE CITY OF GALVESTON, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022

- During the year, monthly financial statements are prepared for each fund; however, for the audit presentation at year-end, they are summarized into two categories: Enterprise Funds and Component Units. All funds, COCC through ICC and various smaller grants not listed, are combined and reported in the Enterprise Funds. GFPC activities, Galveston Housing Authority Revitalization Corporation (GHARC), The Cedars at Carver Park and Villas on the Strand, are reported in the Blended Component Units column.
- The financial statements included in this annual report are those of a special-purpose government engaged in a single business-type activity prepared on an accrual basis. Over time, significant changes in the Authority's net position serve as a useful indicator of the direction of its financial health. To fully assess the viability of any authority, the reader must also consider other nonfinancial factors such as changes in family household composition, fluctuations in the local economy, HUD mandated program administrative changes and the physical condition of capital assets. The following statements are included:
 - Statement of Net Position – reports the Authority's assets, liabilities and net position at the end of the fiscal year. The reader may consider or view the Authority's net position as the difference between the Authority's rights (assets and deferred outflows of resources) and the Authority's obligations (liabilities and deferred inflows of resources).
 - Statement of Revenue, Expenses, and Changes in Net Position – this statement presents information showing how the Authority's net position increased or decreased during the current fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will result in cash inflows and cash outflows in the future periods.
 - Statement of Cash Flows – this statement presents information showing the total cash receipts and cash disbursements of the Authority during the current fiscal year. The statement reflects the net changes in cash resulting from operations plus any other cash requirements during the current year (i.e. capital additions, debt service, prior period obligations, etc.). The statement reflects the receipt or disbursement of cash that was obligated to or paid by the Authority in prior periods and subsequently received or paid during the current fiscal year (i.e. receivables and payables).
 - Notes to the Basic Financial Statements – notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided. These notes give greater understanding on the overall activity of the Authority and how values are assigned to certain assets and liabilities and the longevity of these values. In addition, notes reflect the impact (if any) of any uncertainties the Authority may face.

In tables (A) Statement of Revenues, Expenses, and Changes in Net Position, (B) Statement of Net Position, and (C) Capital Assets at Year-End, we condense and compare the result of the current year's activity with that of the prior year in order to make the financial data more understandable. To facilitate the reader, we offer brief explanations for significant changes in line item and or summary totals. More specific or detailed information may be obtained from the audit summaries and schedules which follow.

HOUSING AUTHORITY OF THE CITY OF GALVESTON, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022

NOTABLE DEVELOPMENTS

- The Villas on the Strand, consisting of 160 units, completed construction in June 2017. As of the report date, 152 units were occupied. The other, a 122-unit Development, The Cedars at Carver Park completed construction in February 2016 and 120 units were occupied as of the report date. The Villas on The Strand and Cedars at Carver Park converted to RAD.
- The Texas General Land Office (GLO) began construction on 97 units of Scattered Sites Housing in the last quarter of 2017. As of the report date, 97 units are completed, and 93 units were occupied.
- The Authority is working with the GLO to complete 26 Project Based Vouchers (PBV). All 26 units are expected to be completed and occupied by April 2023.
- Urban Strategies, responsible for implementing the Authority's Human Capital Plan, has continued to provide case management services to people residing at the mixed income developments. As of the report date, the program has grown to include 131 households. Case management services have focused on helping the head of households find employment, after school programming for the youth, adult education, and economic mobility.
- The Authority is working with its development partner, McCormack Baron Salazar, to construct a 348 unit complex at the former site of Oleander Homes. This development will consist of 174 public housing units, 87 Low Income Tax Credit units, and 87 market rate units. The first block is expected to turn over in August 2023 and construction should be completed by November of 2023. Oleander Homes was converted into a limited partnership in fiscal year 2022 and The Oleander at Broadway, LP was created. The Authority is the general partner of this entity and owns .01%.

**HOUSING AUTHORITY OF THE CITY OF GALVESTON, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022**

Statement of Revenues, Expenses, and Changes in Net Position

	Authority (not including BCUs)		Blended Component Units (BCUs)		Total Combined		Percent Change
	FY-21	FY-22	FY-21	FY-22	FY-21	FY-22	
Revenues							
Tenant Rental Revenue	\$ 1,234,164	\$ 1,292,851	\$ 2,366,652	\$ 2,777,922	\$ 3,600,816	\$ 4,070,773	13%
Tenant Revenue - Other	7,824	3,166	74,436	22,143	82,260	25,309	-69%
HUD PHA Operating Grants	19,590,129	19,062,917	-	-	19,590,129	19,062,917	-3%
GLO Capital Grants	3,004,603	15,386,661	-	-	3,004,603	15,386,661	412%
HUD Capital Grants	760,801	1,161,854	-	-	760,801	1,161,854	53%
Investment Income	5,035	6,505	1,475	317	6,510	6,822	5%
Fraud Recovery	96,582	4,872	-	-	96,582	4,872	-95%
Gain on Sale of Capital Assets	4,046	2,267	-	-	4,046	2,267	-44%
Other Income	338,210	238,552	610,635	454,915	948,845	693,467	-27%
Total Revenues	25,041,394	37,159,645	3,053,198	3,255,297	28,094,592	40,414,942	44%
Expenses							
Administrative	2,240,372	2,373,476	1,242,773	1,196,102	3,483,145	3,569,578	2%
Tenant Services	152,328	149,327	-	326	152,328	149,653	-2%
Utilities	549,022	531,879	486,284	439,968	1,035,306	971,847	-6%
Maintenance	776,450	1,388,064	749,412	835,724	1,525,862	2,223,788	46%
Protective Services	130,292	124,534	165,995	177,638	296,287	302,172	2%
General	818,412	662,332	1,131,544	952,492	1,949,956	1,614,824	-17%
Extraordinary Maintenance and Casualty	340	-	-	-	340	-	-100%
Housing Assistance Payments	15,108,019	15,795,079	-	-	15,108,019	15,795,079	5%
Depreciation	1,336,288	1,335,743	2,023,220	1,969,220	3,359,508	3,304,963	-2%
Total Expenses	21,111,523	22,360,434	5,799,228	5,571,470	26,910,751	27,931,904	4%
Change in Net Position	3,929,871	14,799,211	(2,746,030)	(2,316,173)	1,183,841	12,483,038	954%
Total Net Position -							
Beginning of Period	30,226,918	31,363,106	57,827,820	56,972,702	88,054,738	88,335,808	0%
BCU Equity Transfer	(2,793,683)	(15,239,072)	2,793,683	15,239,072	-	-	0%
Prior Period Adjustment	-	-	(902,771)	-	(902,771)	-	-100%
Total Net Position - End of Period	\$ 31,363,106	\$ 30,923,245	\$ 56,972,702	\$ 69,895,601	\$ 88,335,808	\$ 100,818,846	14%

Revenues

Increases in GLO Capital Grants of 412%, Tenant Revenue of 13% and HUD Capital Grants by 53% were offset by decreases in Tenant Revenue – Other by 69%, HUD PHA Operating Grants by 3%, Fraud Recovery by 95% and Other Income of 27%, resulting in a 44% increase in Total Revenues for the year. The increase in GLO Capital Grants is related to the Authority receiving funding from Texas GLO under the CDBG grant for the Oleander project of around \$15 million. Tenant rental revenue increased about \$.5 million due to an increase in units' months leased and rents charged for the year. HUD capital grants increased by about \$.4 million due active capital projects on public housing properties in the current year. HUD PHA Operating Grants decreased by \$.5 million due to the ending of CAREs act funding received related to COVID-19 response during the year.

Expenses

Most significant expense categories posted minimal fluctuations attributable to annual changes in the cost of doing business, however, the increase in HAP expenses of \$.7 million is a result of about 900 more vouchers issued in the current year opposed to prior year. Additionally, maintenance expense increased due to new active capital projects related to public housing projects in the current year.

**HOUSING AUTHORITY OF THE CITY OF GALVESTON, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022**

Change in Net Position

Beginning net position of \$88,335,808 plus a \$12,483,038 change in net position (net income) produced total ending net position of \$100,818,846, a 14% change over last year.

The following table reflects the condensed statement of net position compared to the prior year.

Statement of Net Position

	Authority (not including BCUs)		Blended Component Units (BCUs)		Total Combined		Percent Change
	FY-21	FY-22	FY-21	FY-22	FY-21	FY-22	
	Current Assets						
Restricted Assets	\$ 2,460,246	\$ 5,414,126	\$ 3,636,720	\$ 3,738,703	\$ 6,096,966	\$ 9,152,829	50%
Unrestricted Assets	11,798,646	15,803,361	906,019	736,797	12,704,665	16,540,158	30%
Total Current Assets	14,258,892	21,217,487	4,542,739	4,475,500	18,801,631	25,692,987	37%
Noncurrent Assets							
Capital Assets	19,173,419	19,228,437	56,645,667	51,198,801	75,819,086	70,427,238	-7%
Other Assets	-	-	33,158	19,024,100	33,158	19,024,100	57274%
Total Noncurrent Assets	19,173,419	19,228,437	56,678,825	70,222,901	75,852,244	89,451,338	18%
Total Assets	\$ 33,432,311	\$ 40,445,924	\$ 61,221,564	\$ 74,698,401	\$ 94,653,875	\$ 115,144,325	22%
Other Liabilities	\$ 2,069,205	\$ 9,522,679	\$ 4,248,862	\$ 4,802,800	\$ 6,318,067	\$ 14,325,479	127%
Total Liabilities	2,069,205	9,522,679	4,248,862	4,802,800	6,318,067	14,325,479	127%
Net Position							
Net Investment in Capital Assets	19,173,419	19,228,437	53,027,550	47,648,267	72,200,969	66,876,704	-7%
Restricted Net Position	2,362,068	1,839,447	3,518,358	3,577,403	5,880,426	5,416,850	-8%
Unrestricted Net Position	9,827,619	9,855,361	426,794	18,669,931	10,254,413	28,525,292	178%
Total Net Position	31,363,106	30,923,245	56,972,702	69,895,601	88,335,808	100,818,846	14%
Total Liabilities and Net Position	\$ 33,432,311	\$ 40,445,924	\$ 61,221,564	\$ 74,698,401	\$ 94,653,875	\$ 115,144,325	22%

Assets

The increase in restricted current assets by 50% is mostly attributable to the \$3.6 million increase in cash for DHAG. The increases of unrestricted current assets by 30% is mostly attributable to the \$4 million increase in accounts receivable for CDBG related to the Oleander project. The 7% decrease in capital assets is due to the transfer of assets to The Oleanders at Broadway, LP and normal depreciation on capital assets. The 57274% increase in other noncurrent assets is due to the \$19 million note between GHARC, a blended component unit and The Oleanders at Broadway, LP for rehabilitation and modernization.

Liabilities

Liabilities increased by 127% mostly as a result of increased accrued expenses and funding for the Oleander project previously mentioned. The Authority has received advance funding to be used for future purchases and fees related to the project.

**HOUSING AUTHORITY OF THE CITY OF GALVESTON, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022**

**Capital Assets at Year-End
(Net of Depreciation)**

	Authority (not including BCUs)		Blended Component Units (BCUs)		Total Combined		Percent Change
	FY-21	FY-22	FY-21	FY-22	FY-21	FY-22	
Land	\$ 6,014,402	\$ 6,014,402	\$ 5,974,606	\$ 5,974,606	\$ 11,989,008	\$ 11,989,008	0%
Buildings and Improvements	57,349,392	57,749,719	53,991,891	53,991,891	111,341,283	111,741,610	0%
Furniture, Equipment, and Machinery	567,165	663,520	1,472,980	1,529,195	2,040,145	2,192,715	7%
Leasehold Improvements	49,001	49,001	-	-	49,001	49,001	0%
Infrastructure	45,255	48,755	-	-	45,255	48,755	8%
Construction in Progress	-	-	3,533,861	-	3,533,861	-	-100%
Accumulated Depreciation	(44,851,796)	(45,296,960)	(8,327,671)	(10,296,891)	(53,179,467)	(55,593,851)	5%
Total	<u>\$ 19,173,419</u>	<u>\$ 19,228,437</u>	<u>\$ 56,645,667</u>	<u>\$ 51,198,801</u>	<u>\$ 75,819,086</u>	<u>\$ 70,427,238</u>	<u>-7%</u>

Capital assets decreased by 7%, a result of asset transfers to The Oleanders at Broadway, LP and normal depreciation of capital assets.

Long-term Debt at Year-End

Beginning Balance - July 1, 2021	\$ 5,127,341
Principal Payments	<u>(218,505)</u>
Beginning Balance - July 1, 2022	<u>\$ 4,908,836</u>

Additional information on long-term debt can be found in Notes 8 and 11 to the financial statements.

Economic Factors

Significant economic factors affecting the Authority are as follows:

- Federal funding provided by Congress to the Department of Housing and Urban Development
- Local labor supply and demand, which can affect salary and wage rates
- Local inflationary, recessionary and employment trends, which can affect resident incomes and therefore the amount of rental income
- Inflationary pressure on utility rates, supplies, and other costs
- Rental market fluctuations

FINANCIAL CONTACT

Questions regarding the information provided in this report, or requests for additional financial information, should be addressed to the Director of Finance, Galveston Housing Authority, 4700 Broadway Street, Galveston, TX 77551 or call 409-765-1990. Online, send to findir@ghatx.org.

HOUSING AUTHORITY OF THE CITY OF GALVESTON, TEXAS
STATEMENTS OF NET POSITION
JUNE 30, 2022

ASSETS	<u>Business-Type Activities</u>
CURRENT ASSETS	
Cash and Cash Equivalents - Unrestricted	\$ 10,368,779
Cash and Cash Equivalents - Restricted	9,152,829
Investments - Unrestricted	1,651,603
Due from HUD	20,368
Due from Other Government	4,076,891
Accounts Receivables, Net Allowance for Doubtful Accounts of \$20,167	162,777
Prepaid Expenses	259,740
Total Current Assets	<u>25,692,987</u>
NONCURRENT ASSETS	
Capital Assets, Net	70,427,238
Other Assets	32,711
Note Receivable Due from Discretely Presented Component Unit	18,991,389
Total Noncurrent Assets	<u>89,451,338</u>
Total Assets	<u><u>\$ 115,144,325</u></u>
LIABILITIES	
CURRENT LIABILITIES	
Accounts Payable and Accrued Expenses	\$ 4,412,159
Accrued Salaries and Benefits	271,416
Accrued Interest Payable	17,337
Long-Term Debt, Due to Texas General Land Office (GLO), Current Portion	63,230
Due to HUD, Current Portion	150,923
Due to Other Governments	278,410
Tenant Security Deposits	234,689
Unearned Revenue	70,362
Other Current Liabilities	3,513,695
Total Current Liabilities	<u>9,012,221</u>
NONCURRENT LIABILITIES	
Long-Term Debt, Due to Texas General Land Office (GLO), Net of Current Portion	3,487,304
Due to HUD, Net of Current Portion	1,207,379
Note Payable Due to Blended Component Unit	-
Family Self-Sufficiency Escrow	27,574
Other Noncurrent Liabilities	591,001
Total Noncurrent Liabilities	<u>5,313,258</u>
Total Liabilities	14,325,479
NET POSITION	
Net Investment in Capital Assets	66,876,704
Restricted	5,416,850
Unrestricted	28,525,292
Total Net Position	<u>100,818,846</u>
Total Liabilities and Net Position	<u><u>\$ 115,144,325</u></u>

See accompanying Notes to Basic Financial Statements.

HOUSING AUTHORITY OF THE CITY OF GALVESTON, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2022

	Business-Type Activities
OPERATING REVENUES	
HUD Operating Revenue	\$ 19,062,917
Tenant Revenue	4,096,082
Office Rental Income	630,277
Other Operating Revenue	68,062
Total Operating Revenues	23,857,338
OPERATING EXPENSES	
Administrative	3,569,578
Tenant Services	149,653
Utilities	971,847
Maintenance	2,223,788
Protective Services	302,172
General	1,404,894
Depreciation	3,304,963
Housing Assistance Payments	15,795,079
Total Operating Expenses	27,721,974
OPERATING LOSS	(3,864,636)
NONOPERATING REVENUES (EXPENSES)	
Interest Income - Unrestricted	5,221
Interest Income - Restricted	1,601
Interest Expense	(209,930)
Gain on Sale of Capital Assets	2,267
Total Nonoperating Revenues (Expenses)	(200,841)
CHANGE IN NET POSITION BEFORE CAPITAL CONTRIBUTIONS	(4,065,477)
CAPITAL CONTRIBUTIONS	
HUD Capital Grants	1,161,854
GLO Capital Grants	15,386,661
CHANGE IN NET POSITION	12,483,038
Net Position - Beginning of Year	88,335,808
NET POSITION - END OF YEAR	\$ 100,818,846

See accompanying Notes to Basic Financial Statements.

HOUSING AUTHORITY OF THE CITY OF GALVESTON, TEXAS
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2022

	Business-Type Activities
CASH FLOWS FROM OPERATING ACTIVITIES	
HUD Operating Grants Received	\$ 15,227,149
Collections from Tenants	4,145,844
Collections from Other Sources	698,339
Payments to Employees	(2,749,520)
Payments to Suppliers	2,287,735
Housing Assistance Payments	(15,795,079)
Net Cash Provided by Operating Activities	3,814,468
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
HUD Capital Grants Received	1,161,854
GLO Capital Grants Received	15,386,661
Purchase of Capital Assets	(1,446,976)
Interest Paid	(241,065)
Payment to GLO	(67,583)
Payment to HUD	(150,922)
Note Receivable to Oleander	(18,991,389)
Gain on Sale of Asset	2,267
Net Cash Used by Capital and Related Financing Activities	(813,292)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest Received	6,822
Proceeds from Sale of Investments	(3,829)
Net Cash Provided by Investing Activities	2,993
NET INCREASE IN CASH AND CASH EQUIVALENTS	3,004,169
Cash and Cash Equivalents - Beginning of Year	16,517,439
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 19,521,608
AS PRESENTED IN THE STATEMENT OF NET POSITION	
Cash and Cash Equivalents - Unrestricted	\$ 10,368,779
Cash and Cash Equivalents - Restricted	9,152,829
Total	\$ 19,521,608

See accompanying Notes to Basic Financial Statements.

HOUSING AUTHORITY OF THE CITY OF GALVESTON, TEXAS
STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED JUNE 30, 2022

	Business-Type Activities
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating Loss	\$ (3,864,636)
Adjustment to Reconcile Operating Loss to Net Cash Provided by Operating Activities:	
Depreciation	3,304,963
Provision for Bad Debt	63,199
Changes in Assets and Liabilities:	
Due from HUD	(3,850,653)
Accounts Receivables, Net	(20,225)
Prepaid Expenses	(75,679)
Other Noncurrent Assets	447
Accounts Payable and Accrued Expenses	4,196,323
Due to Other Governments	(58,322)
Unearned Revenue	14,885
Tenant Security Deposits	69,987
Current Liabilities	4,034,179
Net Cash Provided by Operating Activities	\$ 3,814,468
 SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES	
Transfer of Capital Assets to The Oleanders at Broadway, LP	\$ 3,533,861

See accompanying Notes to Basic Financial Statements.

HOUSING AUTHORITY OF THE CITY OF GALVESTON, TEXAS
NOTES BASIC TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Housing Authority of the City of Galveston, Texas (the Authority) is a governmental entity created by the City of Galveston, Texas for the acquisition, development, modernization, operation, and administration of public housing programs. The primary purpose of the Authority is to provide safe, decent, sanitary, and affordable housing to low income and elderly families in the City of Galveston, Texas (the City). The housing programs are operated in accordance with the U.S. Department of Housing and Urban Development (HUD) guidelines.

The Authority's governing board consists of a five-member Board of Commissioners (the Board), the members of which are appointed by the Mayor of the City. The Authority is not a component unit of the City, as defined in Governmental Accounting Standards Board (GASB) *Codification of Governmental Accounting and Financial Reporting Standards, Sections 2100, Defining the Financial Reporting Entity*, and 2600, *Reporting Entity and Component Unit Presentation and Disclosure*, as the Board independently oversees the Authority's operations.

The definition of the reporting entity as defined by GASB Codification Sections 2100 and 2600 is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government.

Blended Component Units

Some component units, despite being legally separate from the primary government, are so integrated with the primary government that they are in substance part of the primary government. The blended component units are related Texas Corporations created as instrumentalities of the Authority for the purpose of providing and developing affordable housing opportunities. All four are included in the basic financial statements as the Authority is financially accountable and has a voting majority of the governing board or a material ownership percentage.

The blended component units are as follows:

- Galveston Public Facilities Corporation (GPFC)
 - The Oleanders at Broadway GP, LLC
- Cedars at Carver Park, LLC
- Villas on the Strand, LLC
- Galveston Housing Authority Revitalization Corporation (GHARC)

GPFC was created in 2011 on behalf of the Authority, in accordance with Chapter 303 of the Texas Local Government Code, in order to promote decent, safe, and sanitary affordable housing within Galveston. The Board of Commissioners of the Authority are also the directors of GPFC. GPFC is the sole member of The Oleanders at Broadway GP, LLC which is the general partner of The Oleanders at Broadway, LP.

HOUSING AUTHORITY OF THE CITY OF GALVESTON, TEXAS
NOTES BASIC TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reporting Entity (Continued)

Blended Component Units (Continued)

The Authority has entered into multiple agreements relating to the development of Cedars at Carver Park and Villas on the Strand. The agreements consist of various notes, loans, ground leases, subgrants and operating agreements for each of the developments. As part of the agreements, Cedars at Carver Park and Villas on the Strand had their loan obligations fulfilled as of and for the year ended December 31, 2020. The completed financials for Cedars at Carver Park and Villas on the Strand can be obtained from the Authority's central office at 4700 Broadway, Galveston, Texas 77551.

The purpose of the LLC entities is to transact any or all lawful business related to the development of Cedars at Carver Park and Villas on the Strand for which limited liability companies may be organized under the Code. These entities have a December 31st fiscal year-end; therefore, all balances and activity reported are as of and for the year ending December 31, 2021.

The Nonmanaging Member of each LLC is the GPFC, which has a 99.99% ownership.

GHA Revitalization Corporation (GHARC) was created in December 2020 to promote community welfare by providing decent housing that is affordable to low-income families in the City of Galveston and the County of Galveston, Texas and providing support services to residents of such housing. The Corporation was also organized exclusively for the purpose of assisting the Housing Authority of the City of Galveston Texas in financing, refinancing or providing "public facilities".

Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe which transactions are recorded within the various financial statements. The proprietary fund utilizes an economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net position.

HOUSING AUTHORITY OF THE CITY OF GALVESTON, TEXAS
NOTES BASIC TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus and Basis of Accounting (Continued)

Basis of accounting refers to when transactions are recorded regardless of the measurement focus applied. The basis of accounting used is similar to businesses in the private sector; thus, these funds are maintained on the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded in the period incurred or economic asset used.

For financial reporting purposes, the Authority considers its HUD grants associated with operations as operating revenue because these funds more closely represent revenues generated from operating activities rather than nonoperating activities.

HUD and GLO grants associated with capital acquisition and improvements are considered capital contributions and are presented after nonoperating activity on the accompanying statement of revenues, expenses, and changes in net position.

Measurement focus is a term used to describe which transactions are recorded within the various financial statements. The proprietary fund utilizes an economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net position.

Basis of accounting refers to when transactions are recorded regardless of the measurement focus applied. The basis of accounting used is similar to businesses in the private sector; thus, these funds are maintained on the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded in the period incurred or economic asset used.

For financial reporting purposes, the Authority considers its HUD grants associated with operations as operating revenue because these funds more closely represent revenues generated from operating activities rather than nonoperating activities. HUD and GLO grants associated with capital acquisition and improvements are considered capital contributions and are presented after nonoperating activity on the accompanying statement of revenues, expenses, and changes in net position.

Summary of Programs

The accompanying basic financial statements include the activities of several housing programs subsidized by HUD at the Authority. A summary of each significant program is provided below.

Low Rent Public Housing Programs

The Low Rent Public Housing Programs include the following: asset management projects (AMPs), Public Housing Capital Fund, and various other related HUD grants.

HOUSING AUTHORITY OF THE CITY OF GALVESTON, TEXAS
NOTES BASIC TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Summary of Programs (Continued)

Low Rent Public Housing Programs (Continued)

The purpose of the public housing program is to provide decent and affordable housing to low-income families at reduced rents. The developments are owned, maintained, and managed by the Authority. The developments/units are acquired, developed, and modernized under HUD's Development and Capital Fund programs.

Funding of the program operations and development is provided by operating subsidies and tenant rentals (determined as a percentage of family income, adjusted for family composition and other allowances).

Central Office Cost Center

The Central Office Cost Center (COCC) is a business unit within the Authority that generates revenue from fees for service and other business activities. The COCC consists of activities funded through these revenue sources.

Housing Assistance Payments Programs

The Section 8 Housing Choice Voucher (HCV) program utilizes existing privately owned family rental housing units to provide decent and affordable housing to low-income families. Funding of the program is provided by federal housing assistance contributions from HUD for the difference between the approved landlord contract rent and the rent paid by the tenant. In addition, the Authority receives an administrative fee to cover operating expenses.

Cash, Cash Equivalents, and Investments

For purposes of the statement of cash flows, the Authority considers all highly liquid investments with original maturities of three months or less to be cash equivalents. Investments are reported at fair value and the Authority's policy is to only invest in HUD allowed investments and to monitor these investments.

Receivables

Receivables consist of revenues earned during the fiscal year and not yet received. Amounts due from HUD and other governments represent reimbursable expenses or grant subsidies earned that have not been collected as of June 30, 2022. Amounts due from other governments mainly consist of amounts due from GLO for CDBG grants. The receivables are reported net of a total allowance for doubtful accounts of \$20,167. The allowance for uncollectible amounts is based on periodic aging of tenant accounts receivables and fraud recovery receivables.

HOUSING AUTHORITY OF THE CITY OF GALVESTON, TEXAS
NOTES BASIC TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

The Authority's policy is to capitalize assets with a value in excess of \$2,000 and a useful life in excess of one year. The Authority capitalizes the costs of site acquisition and improvement, structures, equipment and direct development costs meeting the capitalization policy. Assets are valued at historical cost, or estimated historical cost if actual historical cost is not available, and contributed assets are valued at acquisition value. Depreciation has been provided using the straight-line method over the estimated useful lives, which range as follows:

Buildings and Improvements	15 to 33 Years
Equipment	5 to 10 Years
Leasehold Improvements	15 Years
Infrastructure	15 Years

Accrued Compensated Absences

It is the Authority's policy to permit employees to accumulate earned but unused paid time off, based on tenure with the Authority. The policy allows employees to accumulate unused leave up to a maximum of 300 hours. Upon separation from employment after six months of service, employees are entitled to 100% of any unused accumulated leave. In accordance with the provisions of GASB Codification Section C60, *Compensated Absences*, the estimated liability for vested leave benefits is recorded when it is earned as an expense and the cumulative unpaid amount is reported as a liability. For the year ended June 30, 2022, the Authority has classified the entire balance of \$197,606 as a current liability.

Construction Advances

Construction advances consist of funding provided by affiliates of the Managing Member of Cedars at Carver Park and Villas on the Strand that has not yet been spent. These amounts are reported as restricted cash and as a current liability in the balance sheet of the Partnerships.

Due to HUD

Amounts Due to HUD typically consist of excess funding provided by HUD that has not yet been earned and must be repaid. However, as a result from the HUD Quality Assurance Division (QAD) review, it was determined that in prior years, the Authority overspent on certain programs and utilized cash from other programs to cover the overage. As of June 30, 2022, \$1,358,302 is reported as Due to HUD. See footnote 11 for more information.

HOUSING AUTHORITY OF THE CITY OF GALVESTON, TEXAS
NOTES BASIC TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Eliminations

For financial reporting purposes, the Authority eliminates amounts that are internally generated from and among various programs within the Authority as well as certain activity with blended component units. The following have been eliminated from the financial statements.

Interprogram Due To/From

In the normal course of operations, certain programs pay for common costs or advance funds for operations that create interprogram receivables or payables. These interprogram receivables or payables normally offset and are eliminated for the presentation of the Authority as a whole. For the year ended June 30, 2022, the Authority reports \$7,289 of amounts that are required to be eliminated. The Authority reports \$7,289 due to COCC from DHAG of \$7,289. Additionally, there are internal loans between blended component units that are discussed in the note below.

Fee for Service

The Authority's COCC internally charges fees for services rendered to the AMPs and other programs of the Authority. In addition, the Authority charges fees to other programs. These charges include management fees, bookkeeping fees, and asset management fees. For financial reporting purposes, \$1,007,305 of fees have been eliminated for the year ended June 30, 2022.

Internal Loans

As part of agreements with Cedars at Carver Park, LLC and Villas on the Strand, LLC, the Authority and GPFC will loan a total of \$32,150,880 and \$42,264,139, respectively, in subordinate loans. For financial reporting purposes, since the loans are between the Authority and its blended component units, the internal loan balances are eliminated. At June 30, 2022, \$62,639,348 is being eliminated for Cedars at Carver Park and Villas on the Strand. This amount represents the December 31, 2021 loan payable balances of what the two entities owe to GPFC. Additionally, \$219,651 of interest income and expense is eliminated at June 30, 2022 regarding this loan. Between December 31, 2021 and June 30, 2022, Villas on the Strand and Cedars at Carver Park paid an additional \$591,001 (\$44,275 related to Cedars at Carver Park and \$546,726 related to Villas on the Strand) to GPFC related to debt due. The variance is presented as an other non-current liability in the statement of net position.

Internal Rent Charges

The Authority internally charges rent to programs within the Authority. For financial reporting purposes \$143,144 of internal rent charges have been eliminated for the year ended June 30, 2022.

Passthrough Subsidy

The Authority receives revenues from HUD that are being transferred to the blended component units within the Authority. For financial reporting purposes \$451,438 of revenue transfers have been eliminated for the year ended June 30, 2022.

HOUSING AUTHORITY OF THE CITY OF GALVESTON, TEXAS
NOTES BASIC TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position

In accordance with GASB Codification Section 2200.172, *Comprehensive Annual Financial Report: Statement of Net Position*, total equity as of June 30, 2022, is classified into three components of net position:

Net Investment in Capital Assets: This category consists of capital assets, net of accumulated depreciation and reduced by any outstanding balances of bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, and improvements of those assets.

Restricted Component of Net Position: This category consists of net assets restricted in their use by (1) external groups such as grantors, creditors or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation. The statement of net position of the Authority reports \$5,416,850 of restricted net position which consists of \$99,462 restricted for HAP for the HCVP program, escrows restricted for development of \$5,317,388.

Unrestricted Component of Net Position: This category includes all of the remaining net assets that do not meet the definition of the other two categories.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Budgets

Budgets are prepared on an annual basis for each major program and are used as a management tool throughout the accounting cycle. Budgets are approved annually by the Board.

Income Taxes

The Authority is a governmental entity and is exempt from federal and state income taxes. Accordingly, no provision for income taxes has been made in the financial statements. The Authority's blended component units are subject to the income tax provisions of Texas Statutes and the Internal Revenue Code.

The Authority's blended component unit's accounts for income taxes in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 740, *Income Taxes*, which clarifies the accounting and disclosure requirements for uncertainty in tax position. It requires a two-step approach to evaluate tax positions and determine if they should be recognized in the financial statements.

HOUSING AUTHORITY OF THE CITY OF GALVESTON, TEXAS
NOTES BASIC TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes (Continued)

The two-step approach involves recognizing any tax positions that are “more likely than not” to occur and then measuring those positions to determine if they are recognizable in the financial statements. Management regularly reviews and analyzes all tax positions and has determined no aggressive tax positions have been taken.

The blended component units did not incur taxes for the fiscal year ended December 31, 2021. The income tax filings of the Authority’s blended component units are subject to audit by various taxing authorities.

Impairment of Long-Lived Assets

The Authority evaluates events or changes in circumstances affecting long-lived assets, including capital assets, to determine whether an impairment of its assets has occurred. If the Authority determines that a long-lived asset is impaired, and that the impairment is significant and other-than temporary, then an impairment loss will be recorded in the Authority’s financial statements. In the current year, the Authority did not recognize any loss on impairment related to its long-lived assets.

NOTE 2 CASH AND CASH EQUIVALENTS

As of June 30, 2022, the Authority’s cash balance consists of cash in banks with a book value of \$19,521,608.

In accordance with GASB Codification Sections C20, *Cash Deposits with Financial Institutions*, and I50, *Investments*, the Authority’s exposure to deposit and investment risk is disclosed as follows:

Credit Risk

Credit risk is the risk that a counterparty will fail to meet its obligations in accordance with agreed terms. It is the Authority’s policy to follow the HUD regulations by only having direct investments and investments through mutual funds to direct obligations, guaranteed obligations, or obligations of the agencies in the United States of America. As of June 30, 2022, the Authority was not exposed to credit risk since they follow HUD regulations.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the Authority’s deposits may not be returned. The Authority’s deposit policy for custodial credit risk requires compliance with the provisions of state law. Texas law requires collateralization of all municipal deposits by the Federal Depository Insurance Corporation (FDIC) and qualified pledged securities consisting of obligations of the U.S. Treasury and U.S. agencies. As of June 30, 2022, \$4,023,532 of the Authority’s total cash bank balance of \$19,606,251 was exposed to custodial credit risk. This exposure is mostly related to the blended component units, Cedars at Carver Park and Villas on the Strand, of which \$3,256,680 was exposed.

HOUSING AUTHORITY OF THE CITY OF GALVESTON, TEXAS
NOTES BASIC TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 2 CASH AND CASH EQUIVALENTS (CONTINUED)

Custodial Credit Risk (Continued)

As of June 30, 2022, restricted cash and cash equivalents consist of:

Escrows - Development	\$ 8,791,104
Tenant Security Deposits	234,689
Family Self-Sufficiency Escrow	27,574
Housing Assistance Payments	99,462
Total Restricted Cash	<u>\$ 9,152,829</u>

NOTE 3 INVESTMENTS

The Authority held investments in Texpool State Treasury and LOGIC with a total carrying value and fair market value of \$1,651,603 as of June 30, 2022. The Texpool State Treasury funds are managed by the State Comptroller of Public Accounts and the LOGIC funds are managed by Hilltop Securities and JPMorgan Chase. In following the Public Funds Collateral Act, Texpool and LOGIC invests the Authority's funds in obligations of the United States, obligations issued by a public agency that is payable from taxes, revenues, or a combination thereof that has been rated by a nationally recognized rating agency with a rating of not less than A, or any security in which a public entity may invest under the Public Funds Investment Act of 1987. Surety bonds and investment securities are used as collateral to secure both the amount of deposits with Texpool and LOGIC plus any accrued interest. The fair value of the Authority's position in the pool is the same as the value of its' pool shares. There are no limitations or restrictions on the pool for the Authority.

NOTE 4 ACCOUNTS RECEIVABLES, NET

As of June 30, 2022, receivables consist of:

Tenant Accounts Receivables	\$ 66,871
Fraud Recovery	24,660
Due from PHA Projects	5,031
Subsidy Receivable - Villas on the Strand	33,536
Other	52,846
Subtotal Receivables	<u>182,944</u>
Allowance for Doubtful Accounts - Tenants	<u>(20,167)</u>
Total Receivables	<u>\$ 162,777</u>

HOUSING AUTHORITY OF THE CITY OF GALVESTON, TEXAS
NOTES BASIC TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 5 NOTES RECEIVABLES, NET

As part of an agreement signed in July 2021, a blended component unit, Galveston Housing Authority Revitalization Corporation (GHARC) will loan a total of \$85,714,569 to The Oleanders at Broadway, LP (Oleander). This monies are to be disbursed with CDBG funds for Disaster Recovery through Texas General Land Office (“GLO”). Up to \$33,959,569 shall accrue interest during the construction phase at the rate of 1.50% until interest accrued reaches \$1,300,000, at which time, the note will bear an interest rate of 0.50% and be paid from net cash flow. There are no required principal and interest payments as long as the project maintains the affordability requirements spelled out in the agreement. All unpaid principal and interest shall be due on July 1, 2076. As of June 30, 2022, the balance of this loan is \$18,991,389, which is shown as notes receivable for GHARC.

NOTE 6 CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2022 is as follows:

Business-Type Activities

	Balance - July 1, 2021	Additions	Transfers	Deletions	Balance - June 30, 2022
Capital Assets Not Being Depreciated:					
Land	\$ 11,989,008	\$ -	\$ -	\$ -	\$ 11,989,008
Construction in Progress	3,533,861	-	-	(3,533,861)	-
Total Capital Assets Not Being Depreciated	15,522,869	-	-	(3,533,861)	11,989,008
Capital Assets Being Depreciated:					
Buildings and Improvements	111,341,283	1,250,327	-	(850,000)	111,741,610
Equipment	2,040,145	193,149	-	(40,579)	2,192,715
Leasehold Improvements	49,001	-	-	-	49,001
Infrastructure	45,255	3,500	-	-	48,755
Total Capital Assets Being Depreciated	113,475,684	1,446,976	-	(890,579)	114,032,081
Total Capital Assets	128,998,553	1,446,976	-	(4,424,440)	126,021,089
Less Accumulated Depreciation:					
Buildings and Improvements	(51,683,846)	(3,271,289)	-	850,000	(54,105,135)
Equipment	(1,455,607)	(27,040)	-	40,579	(1,442,068)
Leasehold Improvements	(8,861)	(3,267)	-	-	(12,128)
Infrastructure	(31,153)	(3,367)	-	-	(34,520)
Total Accumulated Depreciation	(53,179,467)	(3,304,963)	-	890,579	(55,593,851)
Capital Assets, Net	\$ 75,819,086	\$ (1,857,987)	\$ -	\$ (3,533,861)	\$ 70,427,238

HOUSING AUTHORITY OF THE CITY OF GALVESTON, TEXAS
NOTES BASIC TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 7 OTHER LIABILITIES

A summary of changes in current and noncurrent other liabilities is as follows:

	Balance - July 1, 2021	Additions	Retired	Balance - June 30, 2022	Due Within One Year
Payable to GLO	\$ 3,618,117	\$ -	\$ (67,583)	\$ 3,550,534	\$ 63,230
Payable to HUD	1,509,224	-	(150,922)	1,358,302	150,923
Family Self-Sufficiency	52,388	8,998	(33,812)	27,574	-
Related Party Transactions	-	591,001	-	591,001	-
Compensated Absences	201,802	194,278	(198,474)	197,606	197,606
Oleander Project Liabilities	-	3,473,716	-	3,473,716	3,473,716
Other Current Liabilities	45,703	-	(5,724)	39,979	39,979
Total	<u>\$ 5,381,531</u>	<u>\$ 794,277</u>	<u>\$ (450,791)</u>	<u>\$ 5,725,017</u>	<u>\$ 411,759</u>

NOTE 8 LONG-TERM DEBT, PAYABLE TO GLO

As described in Note 1, the Authority has entered into multiple agreements relating to the development of Cedars at Carver Park (Cedars) and Villas on the Strand (Villas). The agreements consist of various notes, loans, ground leases, subgrants and operating agreements for each of the developments. The CDBG grant from the GLO includes a stipulation that upon collection of the Notes Receivable from Cedars at Carver Park and Villas on the Strand, the Authority is required to remit funds back to the GLO. At June 30, 2022 the amount due to GLO is \$3,550,534. The amounts due from Cedars and Villas to GPFC are eliminated in interprogram accounts. The loan recorded within the Authority's statement of net position is the loan from GPFC to GLO. The loans broken down between each entity is explained below.

Cedars at Carver Park

First mortgage is being provided by the Galveston Public Facility Corporation (GPFC) (a blended component unit of the Authority), the non-managing member, under a loan commitment of \$2,200,000. The loan is secured by a first lien deed of trust covering the leasehold interest of Cedars under the Ground Lease. Monthly principal and interest payments are to be on the first day of the month following the stabilization date, which occurred on October 31, 2017. Interest did not accrue on the loan during construction. Commencing on the first day following the stabilization date, the loan bears interest at a fixed rate of 5.81%. The remaining principal and interest is due after 30 years. As of June 30, 2022, the amount due is \$2,054,329.

Villas on the Strand

First mortgage is being provided by the Galveston Public Facility Corporation (GPFC) (a blended component unit of the Authority), the non-managing member, under a loan commitment of \$1,600,000. The loan is secured by a first lien deed of trust covering the leasehold interest of Villas under the Ground Lease. Monthly principal and interest payments of \$9,398 are to be on the first day of the month following the stabilization date. Interest does not accrue on the loan during construction. Commencing on the first day following the stabilization date, the loan bears interest at a fixed rate of 5.81%. The remaining principal and interest is due after 30 years. As of June 30, 2022 the amount due is \$1,496,205.

HOUSING AUTHORITY OF THE CITY OF GALVESTON, TEXAS
NOTES BASIC TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 8 LONG-TERM DEBT, PAYABLE TO GLO (CONTINUED)

The maturities for these loans are as follows:

Years Ended June 30,	Amount
2023	\$ 63,230
2024	67,003
2025	71,002
2026	75,239
2027	79,728
Thereafter	3,194,332
Total	\$ 3,550,534

NOTE 9 RETIREMENT BENEFITS

The Authority provides pension benefits through a defined contribution plan administered by ICMA. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The Authority contributes approximately 13% of the annual covered payroll to a 401(a) plan for qualified employees, who may also voluntarily contribute up to \$18,000 (\$24,000 including catch up if over 50 years old) of their salaries to a 457 plan. The Authority's contributions for each employee (and interest allocated to the employee's account) are fully vested after 5 years of continuous service. All amounts forfeited by terminated participants are allocated to a suspense account and used to reduce dollar for dollar employer contributions otherwise required under the plan year and succeeding plan years, if necessary. For the year ended June 30, 2022, the Authority contributed \$340,387 to the plan.

Assets in the plan are recorded at fair value and are administered by a private corporation under contract with the Authority. It is the opinion of the Authority's legal counsel that the Housing Authority has no liability for losses under the plans but does have the duty of due care that would be required of an ordinary prudent investor.

NOTE 10 RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damages to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters. As part of the Authority's risk management program, certain commercial insurance policies are purchased, and the Authority participates in a risk retention group to cover designated exposures and potential loss situations. The group collects reserve deposits and carries reinsurance; however, the group may charge each group member additional amounts if losses are in excess of reserve deposits and reinsurance amounts.

There were no significant reductions of insurance coverage from prior years and settlements did not exceed insurance coverage for each of the past three years.

HOUSING AUTHORITY OF THE CITY OF GALVESTON, TEXAS
NOTES BASIC TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 11 COMMITMENTS AND CONTINGENCIES

Legal

In the normal course of operations, the Authority may be party to various pending or threatened legal actions. As of the date of this report, management is not aware of any such instances that have a material impact on the Authority.

Grants and Contracts

The Authority participates in various federally-assisted grant programs that are subject to review and audit by the grantor agencies. Entitlement to these resources is generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal and other regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a federal audit may become a liability of the Authority. As of the date of this report, management is not aware of any such examinations.

The Authority has received cumulative funding in excess of housing assistance payments (HAP) and earned administrative fees through the Housing Choice Voucher Program in accordance with current regulations. As of June 30, 2022, there are \$99,462 cumulative Housing Choice Voucher HAP reserves presented as restricted net position. This balance was affected by the result of a review conducted by the Quality Assurance Division (QAD) of HUD. As a result of the report, the Authority was required to record a payable in the HCV program of approximately \$2,500,000 which is required to be paid from unrestricted funds from the HCV Program. As of June 30, 2022, the Authority's balances reflect this adjustment.

HUD Repayment Agreement

The Authority entered into a repayment agreement with HUD related to the QAD review mentioned above on August 6, 2020 for \$2,459,539 of unallowable expenses linked to the HCV Program. Due to HUD in the statement of net position is presented in accordance with this repayment agreement.

As part of the terms, the Authority was required to pay HUD \$950,315 no later than September 8, 2020. Payment is to be derived from non-federal sources. Beginning October 1, 2021, \$150,923 is due annually through October 1, 2029 with the final payment amount of \$150,918 due no later than October 1, 2030. As of June 30, 2022, the remaining balance due to HUD was \$1,358,302.

The maturities for the repayment agreement are as follows:

<u>Years Ended June 30,</u>	<u>Amount</u>
2023	\$ 150,923
2024	150,923
2025	150,923
2026	150,923
2027	150,923
2027-2031	603,687
Total	<u><u>\$ 1,358,302</u></u>

HOUSING AUTHORITY OF THE CITY OF GALVESTON, TEXAS
NOTES BASIC TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 12 CONCENTRATIONS

For the year ended June 30, 2022, approximately 0.50% of receivables and 50% of revenues reflected in the basic financial statements are from direct and indirect HUD subsidy and grants.

The Authority operates in a heavily regulated environment. The operations of the Authority are subject to the administrative directives, rules and regulations of federal, state, and local regulatory agencies including, but not limited to HUD. Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by HUD. Such changes may occur with little notice or inadequate funding to pay for the related costs and the additional administrative burden to comply with the changes. In addition, any excess reserves may reduce future funding levels and possibly be subject to recapture.

NOTE 13 FINANCIAL DATA SCHEDULE

As required by HUD, the Authority prepares its financial data schedule in accordance with HUD requirements in a prescribed format which differs from the presentation of the basic financial statements. The schedule's format presents certain operating items as nonoperating such as depreciation expense, housing assistance payments and extraordinary maintenance expense. In addition, the schedule's format includes nonoperating items as operating such as investment revenue, HUD capital grants revenue, gains and losses on the disposal of capital assets and interest expense. Furthermore, the schedule reflects tenant revenue and bad debt expense separately.

NOTE 14 SEGMENT INFORMATION

As discussed in Note 1, the Authority's financial statements include three blended component units. Summary financial information for each entity is as follows:

Condensed Statement of Net Position

	December 31, 2021								
	GPFC	GHARC	Cedars at Carver Park	Villas on the Strand	Eliminations between BCUs	Total Blended Component Units	Primary Government	Eliminations	Total
ASSETS									
Current Assets	\$ -	\$ -	\$ 119,978	\$ 616,819	\$ -	\$ 736,797	\$ 15,803,361	\$ -	\$ 16,540,158
Restricted Cash	-	-	1,246,595	2,492,108	-	3,738,703	5,414,126	-	9,152,829
Due from Other Programs	62,639,348	-	-	-	(62,639,348)	-	7,289	(7,289)	-
Capital Assets	-	-	22,187,122	29,011,679	-	51,198,801	19,228,437	-	70,427,238
Other Noncurrent Assets	-	18,991,389	28,441	4,270	-	19,024,100	-	-	19,024,100
Total Assets	62,639,348	18,991,389	23,582,136	32,124,876	(62,639,348)	74,698,401	40,453,213	(7,289)	115,144,325
LIABILITIES									
Current Liabilities	165,401	-	252,581	306,513	-	724,495	8,295,015	(7,289)	9,012,221
Due to Other Programs	-	-	27,587,253	35,052,095	(62,639,348)	-	-	-	-
Long-Term Debt	3,487,304	-	-	-	-	3,487,304	-	-	3,487,304
Other Noncurrent Liabilities	-	-	44,275	546,726	-	591,001	1,234,953	-	1,825,954
Total Liabilities	3,652,705	-	27,884,109	35,905,334	(62,639,348)	4,802,800	9,529,968	(7,289)	14,325,479
Net Position	<u>\$ 58,986,643</u>	<u>\$ 18,991,389</u>	<u>\$ (4,301,973)</u>	<u>\$ (3,780,458)</u>	<u>\$ -</u>	<u>\$ 69,895,601</u>	<u>\$ 30,923,245</u>	<u>\$ -</u>	<u>\$ 100,818,646</u>

HOUSING AUTHORITY OF THE CITY OF GALVESTON, TEXAS
NOTES BASIC TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 14 SEGMENT INFORMATION (CONTINUED)

Condensed Statement of Revenues, Expenses, and Changes in Net Position

	Year Ended December 31, 2021								Total
	GPFC	GHARC	Cedars at Carver Park	Villas on the Strand	Eliminations between BCUs	Total Blended Component Units	Primary Government	Eliminations	
OPERATING REVENUE									
Tenant Revenue	\$ -	\$ -	\$ 1,170,381	\$ 1,629,684	\$ -	\$ 2,800,065	\$ 1,296,017	\$ -	\$ 4,096,082
Other Operating Revenue	219,651	-	236,394	218,521	-	674,566	20,688,577	(1,601,887)	19,761,256
Total Operating Revenue	219,651	-	1,406,775	1,848,205	-	3,474,631	21,984,594	(1,601,887)	23,857,338
OPERATING EXPENSES									
Depreciation	-	-	876,319	1,092,901	-	1,969,220	1,335,743	-	3,304,963
Operating Expenses	622,201	-	1,442,295	1,757,405	-	3,821,901	22,406,927	(1,601,887)	24,626,941
Total Operating Expenses	622,201	-	2,318,614	2,850,306	-	5,791,121	23,742,670	(1,601,887)	27,931,904
Operating Income (Loss)	(402,550)	-	(911,839)	(1,002,101)	-	(2,316,490)	(1,758,076)	-	(4,074,566)
NONOPERATING REVENUES (EXPENSES)									
Interest Income	-	-	142	175	-	317	6,505	-	6,822
Gain on Sale of Capital Assets	-	-	-	-	-	-	2,267	-	2,267
Capital Contributions	-	-	-	-	-	-	16,548,515	-	16,548,515
Transfers In (Out)	(3,752,317)	18,991,389	-	-	-	15,239,072	(15,239,072)	-	-
CHANGE IN NET POSITION	(4,154,867)	18,991,389	(911,697)	(1,001,926)	-	12,922,899	(439,861)	-	12,483,038
Total Net Position - Beginning of Year	63,141,510	-	(3,390,276)	(2,778,532)	-	56,972,702	31,363,106	-	88,335,808
TOTAL NET POSITION - END OF YEAR	<u>\$ 58,986,643</u>	<u>\$ 18,991,389</u>	<u>\$ (4,301,973)</u>	<u>\$ (3,780,458)</u>	<u>\$ -</u>	<u>\$ 69,895,601</u>	<u>\$ 30,923,245</u>	<u>\$ -</u>	<u>\$ 100,818,846</u>

Condensed Statement of Cash Flows

	Year Ended December 31, 2021								Total
	GPFC	GHARC	Cedars at Carver Park	Villas on the Strand	Eliminations between BCUs	Total Blended Component Units	Primary Government	Eliminations	
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES									
Operating Activities	\$ -	\$ (18,991,389)	\$ (67,056)	\$ 58,502	\$ -	\$ (18,999,943)	\$ 22,814,411	\$ -	\$ 3,814,468
Investing Activities	-	-	(64,093)	(8,011)	-	(72,104)	75,097	-	2,993
Capital and Related Financing	-	18,991,389	(79,249)	(295,666)	-	18,616,474	(19,429,766)	-	(813,292)
NET INCREASE (DECREASE) IN CASH	-	-	(210,398)	(245,175)	-	(455,573)	3,459,742	-	3,004,169
Cash - Beginning of Year	-	-	1,583,751	2,683,184	-	4,266,935	12,250,504	-	16,517,439
CASH END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,373,353</u>	<u>\$ 2,438,009</u>	<u>\$ -</u>	<u>\$ 3,811,362</u>	<u>\$ 15,710,246</u>	<u>\$ -</u>	<u>\$ 19,521,608</u>

NOTE 15 CONDUIT DEBT OBLIGATIONS

Conduit (no-commitment) debt obligations are certain limited-obligation revenue bonds, certificates of participation, or similar debt instruments issued by a state or local governmental entity for the express purpose of providing capital financing for a specific third party that is not part of the issuer's financial reporting entity. Although conduit debt obligations bear the name of the governmental user, the issuer has no obligation for such debt beyond the resources provided by a lease or loan with the third party on whose behalf they are issued and is therefore not reported on the statement of net position.

On July 16, 2021, The Oleanders at Broadway, LP entered into a financing agreement with the Galveston Public Facility Corporation (GPFC) to issue tax-exempt multifamily housing revenue bonds for the construction and development of the project in the amount of \$51,755,000. The bonds are collateralized by the Project and will mature on August 1, 2025.

SUPPLEMENTARY INFORMATION

HOUSING AUTHORITY OF THE CITY OF GALVESTON, TEXAS
FINANCIAL DATA SCHEDULE
JUNE 30, 2022

Line Item #	Accounts Description	AMP 001	AMP 002	AMP 003	AMP 004	AMP 005	AMP 006	AMP 007	AMP 999	OTHER PROJ	PROJECT TOTAL
ASSETS											
CURRENT ASSETS											
Cash:											
111	Unrestricted	\$ 2,159,677	\$ 2,319,735	\$ 2,317,793	\$ 971,674	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,768,879
114	Tenant Security Deposits	-	49,711	5,688	3,795	-	-	-	-	-	59,194
	Total Cash	<u>2,159,677</u>	<u>2,369,446</u>	<u>2,323,481</u>	<u>975,469</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,828,073</u>
Accounts and Notes Receivable:											
122	Accounts Receivable - HUD	-	8,614	9,777	1,977	-	-	-	-	-	20,368
124	Accounts Receivable - Other Government	-	-	-	-	-	-	-	-	-	-
125	Accounts Receivable - Miscellaneous	-	-	-	-	-	-	-	-	-	-
126	Accounts Receivable - Tenants Rents	-	10,931	7,890	876	-	-	-	-	-	19,697
126.1	Allowance for Doubtful Accounts - Dwelling Rents	-	(5,617)	(1,304)	-	-	-	-	-	-	(6,921)
	Total Receivables, Net	<u>-</u>	<u>13,928</u>	<u>16,363</u>	<u>2,853</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>33,144</u>
131	Investments - Unrestricted	121,299	210,211	179,004	61,238	-	-	-	-	-	571,752
142	Prepaid Expenses and Other Assets	-	42,551	9,100	5,965	-	-	-	-	-	57,616
	Total Other Current Assets	<u>121,299</u>	<u>252,762</u>	<u>188,104</u>	<u>67,203</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>629,368</u>
	Total Current Assets	<u>2,280,976</u>	<u>2,636,136</u>	<u>2,527,948</u>	<u>1,045,525</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,490,585</u>
NONCURRENT ASSETS											
Capital Assets:											
161	Land	425,446	1,878,863	1,783,484	108,501	-	-	-	-	-	4,196,294
162	Buildings	-	45,717,861	3,109,559	3,577,665	-	-	-	-	-	52,405,085
163	Furniture and Equipment, Dwellings	-	25,000	-	-	-	-	-	-	-	25,000
164	Furniture and Equipment, Administration	-	239,226	19,601	19,671	-	-	-	-	-	278,498
165	Leasehold Improvements	-	33,084	4,374	11,543	-	-	-	-	-	49,001
166	Accumulated Depreciation	-	(37,548,490)	(1,715,301)	(1,197,104)	-	-	-	-	-	(40,460,895)
167	Construction in Progress	-	-	-	-	-	-	-	-	-	-
168	Infrastructure	-	45,255	-	-	-	-	-	-	-	45,255
	Total Capital Assets, Net	<u>425,446</u>	<u>10,390,799</u>	<u>3,201,717</u>	<u>2,520,276</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,538,238</u>
171	Notes Receivable - Noncurrent	-	-	-	-	-	-	-	-	-	-
174	Other Assets	-	-	-	-	-	-	-	-	-	-
	Total Noncurrent Assets	<u>425,446</u>	<u>10,390,799</u>	<u>3,201,717</u>	<u>2,520,276</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,538,238</u>
	TOTAL ASSETS	<u>\$ 2,706,422</u>	<u>\$ 13,026,935</u>	<u>\$ 5,729,665</u>	<u>\$ 3,565,801</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,028,823</u>

HOUSING AUTHORITY OF THE CITY OF GALVESTON, TEXAS
FINANCIAL DATA SCHEDULE (CONTINUED)
JUNE 30, 2022

Line Item #	Accounts Description	AMP 001	AMP 002	AMP 003	AMP 004	AMP 005	AMP 006	AMP 007	AMP 999	OTHER PROJ	PROJECT TOTAL
LIABILITIES AND NET POSITION											
CURRENT LIABILITIES											
312	Accounts Payable < 90 days	\$ -	\$ 63,963	\$ 14,808	\$ 5,278	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 84,049
321	Accrued Salaries/Payroll Withholding	-	20,233	2,272	2,680	-	-	-	-	-	25,185
322	Accrued Compensated Absences	-	40,496	1,215	1,367	-	-	-	-	-	43,078
333	Accounts Payable - Other Government	-	69,968	7,085	7,686	-	-	-	-	-	84,739
341	Tenant Security Deposits	-	49,711	5,688	3,795	-	-	-	-	-	59,194
342	Unearned Revenue	-	12,703	2,203	2,538	-	-	-	-	-	17,444
	Total Current Liabilities	-	257,074	33,271	23,344	-	-	-	-	-	313,689
	Total Liabilities	-	257,074	33,271	23,344	-	-	-	-	-	313,689
NET POSITION											
508.4	Net Investment in Capital Assets	425,446	10,390,799	3,201,717	2,520,276	-	-	-	-	-	16,538,238
511.4	Restricted	-	-	-	-	-	-	-	-	-	-
512.4	Unrestricted	2,280,976	2,379,062	2,494,677	1,022,181	-	-	-	-	-	8,176,896
	Total Net Position	2,706,422	12,769,861	5,696,394	3,542,457	-	-	-	-	-	24,715,134
TOTAL LIABILITIES AND NET POSITION		\$ 2,706,422	\$ 13,026,935	\$ 5,729,665	\$ 3,565,801	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 25,028,823

**HOUSING AUTHORITY OF THE CITY OF GALVESTON, TEXAS
FINANCIAL DATA SCHEDULE (CONTINUED)
YEAR ENDED JUNE 30, 2022**

Line Item #	Accounts Description	AMP 001	AMP 002	AMP 003	AMP 004	AMP 005	AMP 006	AMP 007	AMP 999	OTHER PROJ	PROJECT TOTAL
REVENUE											
70300	Net Tenant Rental Revenue	\$ -	\$ 1,141,053	\$ 72,354	\$ 79,444	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,292,851
70400	Tenant Revenue - Other	-	2,339	512	315	-	-	-	-	-	3,166
70500	Total Tenant Revenue	-	1,143,392	72,866	79,759	-	-	-	-	-	1,296,017
70600	HUD PHA Operating Grants	-	1,670,919	303,632	166,308	-	108,111	97,749	-	-	2,346,719
70610	Capital Grants	-	829,481	256,633	75,740	-	-	-	-	-	1,161,854
71100	Investment Income - Unrestricted	444	665	595	224	-	-	-	-	-	1,928
71500	Other Revenue	-	39,768	8,013	4,489	-	-	-	-	-	52,270
71600	Gain or Loss on Sale of Capital Assets	-	-	-	-	-	-	-	-	-	-
	Total Revenue	444	3,684,225	641,739	326,520	-	108,111	97,749	-	-	4,858,788
EXPENSES											
Administrative:											
91100	Administrative Salaries	-	209,566	26,390	21,471	-	2,095	2,095	-	-	261,617
91200	Auditing Fees	-	27,224	2,624	2,952	-	-	-	-	-	32,800
91300	Management Fee	-	398,035	36,545	42,519	-	-	-	-	-	477,099
91310	Bookkeeping Fee	-	32,730	2,895	3,458	-	-	-	-	-	39,083
91400	Advertising and Marketing	-	5,312	415	488	-	-	-	-	-	6,215
91500	Employee Benefit Contributions - Administrative	-	99,773	10,604	9,422	-	667	667	-	-	121,133
91600	Office Expenses	-	199,125	44,056	25,888	-	628	-	-	-	269,697
91700	Legal Expense	-	15,086	2,412	500	-	-	-	-	-	17,998
91800	Travel	-	457	44	50	-	-	-	-	-	551
	Total Administrative	-	987,308	125,985	106,748	-	3,390	2,762	-	-	1,226,193
92000	Asset Management Fee	-	45,120	4,080	4,800	-	-	-	-	-	54,000
Tenant Services:											
92100	Salaries	-	30,653	2,433	2,791	-	-	-	-	-	35,877
92300	Employee Benefit Contributions	-	22,030	1,742	2,041	-	-	-	-	-	25,813
92400	Other	-	2,325	186	219	-	-	-	-	-	2,730
	Total Tenant Services	-	55,008	4,361	5,051	-	-	-	-	-	64,420
Utilities:											
93100	Water	-	120,061	92	948	-	-	-	-	-	121,101
93200	Electricity	-	202,567	1,896	1,955	-	-	-	-	-	206,418
93300	Gas	-	23,802	-	-	-	-	-	-	-	23,802
93600	Sewer	-	97,285	26	-	-	-	-	-	-	97,311
	Total Utilities	-	443,715	2,014	2,903	-	-	-	-	-	448,632
Ordinary Maintenance and Operations:											
94100	Labor	-	120,603	19,661	38,370	-	-	-	-	-	178,634
94200	Materials and Other	-	255,393	122,565	29,622	-	-	-	-	-	407,580
94300	Contracts	33,800	317,025	41,703	28,184	-	-	-	-	-	420,712
94500	Employee Benefits Contribution	-	68,379	9,456	16,400	-	-	-	-	-	94,235
	Total Ordinary Maintenance and Operations	33,800	761,400	193,385	112,576	-	-	-	-	-	1,101,161

**HOUSING AUTHORITY OF THE CITY OF GALVESTON, TEXAS
FINANCIAL DATA SCHEDULE (CONTINUED)
YEAR ENDED JUNE 30, 2022**

Line Item #	Accounts Description	AMP 001	AMP 002	AMP 003	AMP 004	AMP 005	AMP 006	AMP 007	AMP 999	OTHER PROJ	PROJECT TOTAL
EXPENSES (Continued)											
Protective Services:											
95200	Other Contract Costs	\$ -	\$ 45,116	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 45,116
95000	Total Protective Services	-	45,116	-	-	-	-	-	-	-	45,116
Insurance Premiums:											
96110	Property Insurance	468	55,013	6,175	4,560	-	-	-	-	-	66,216
96120	Liability Insurance	-	2,162	195	229	-	-	-	-	-	2,586
96130	Workmen's Compensation	-	7,056	939	1,458	-	9	8	-	-	9,470
96140	All Other Insurance	4,192	70,579	29,581	18,900	-	-	-	-	-	123,252
96100	Total Insurance Premiums	4,660	134,810	36,890	25,147	-	9	8	-	-	201,524
General Expenses:											
96200	Other General Expenses	7,086	1,365	-	-	-	104,712	94,979	-	-	208,142
96210	Compensated Absences	-	40,496	1,215	1,367	-	-	-	-	-	43,078
96300	Payments in Lieu of Taxes	-	69,968	7,085	7,686	-	-	-	-	-	84,739
96400	Bad Debt - Tenant Rents	-	14,365	2,140	623	-	-	-	-	-	17,128
	Total General Expenses	7,086	126,194	10,440	9,676	-	104,712	94,979	-	-	353,087
	Total Operating Expenses	45,546	2,598,671	377,155	266,901	-	108,111	97,749	-	-	3,494,133
	Excess of Operating Revenue Over Operating Expenses	(45,102)	1,085,554	264,584	59,619	-	-	-	-	-	1,364,655
97400	Depreciation Expense	-	1,029,737	112,192	118,578	-	-	-	-	-	1,260,507
	Total Expenses	45,546	3,628,408	489,347	385,479	-	108,111	97,749	-	-	4,754,640
Other Financing Sources (Uses):											
10010	Operating Transfers In	-	-	-	-	-	-	-	-	-	-
10020	Operating Transfers Out	-	-	-	-	-	-	-	-	-	-
10040	Operating Transfers from/to Component Unit	-	-	-	-	-	-	-	-	-	-
	Total Other Financing Sources (Uses)	-	-	-	-	-	-	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENSES		\$ (45,102)	\$ 55,817	\$ 152,392	\$ (58,959)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 104,148
Memo Account Information											
11020	Required Annual Debt Principal Payments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
11030	Beginning Equity	2,751,524	12,609,020	5,541,583	3,598,695	-	-	-	-	-	24,500,822
11040	Prior Period Adjustments, Equity Transfers and Correction	-	105,024	2,419	2,721	-	-	-	-	-	110,164
11190	Unit Months Available	-	4,512	408	480	-	600	768	-	-	6,768
11210	Unit Months Leased	-	4,364	386	461	-	592	753	-	-	6,556
11270	Excess Cash	2,277,181	2,158,479	2,464,997	998,254	-	-	-	-	-	7,898,911
11620	Building Purchases	-	743,304	248,609	66,501	-	-	-	-	-	1,058,414
11640	Furniture & Equipment - Administrative Purchases	-	86,177	8,024	9,239	-	-	-	-	-	103,440
11650	Leasehold Improvements Purchases	-	-	-	-	-	-	-	-	-	-
13901	Replacement Housing Factor Funds	-	-	-	-	-	-	-	-	-	-

**HOUSING AUTHORITY OF THE CITY OF GALVESTON, TEXAS
FINANCIAL DATA SCHEDULE (CONTINUED)
JUNE 30, 2022**

Line Item #	Accounts Description	Project Total 14.85	14. PHC Public Housing CARES Act Funding	Section 8 Housing Choice Voucher Program 14.871	Family Self-Sufficiency Program 14.896	Disaster Housing Assistance Grant 97.109	Central Office Cost Center	Business Activities (Island Community Center)	Development Fund (Other Federal Program 2)	Community Development Block Grant (Texas General Land Office)	Galveston Public Facilities Corporation (GPFC)	GHA Revitalization Corporation (GHARC)	The Cedars at Carver Park, LLC	Villas on the Strand, LLC	Blended Component Units	Eliminations	Total Entity
ASSETS																	
CURRENT ASSETS																	
Cash:																	
111	Unrestricted	\$ 7,768,879	\$ -	\$ 443,447	\$ -	\$ 1,287	\$ 570,003	\$ 1,067,186	\$ -	\$ -	\$ -	\$ -	\$ 33,259	\$ 484,718	\$ 517,977	\$ -	\$ 10,368,779
113	Other Restricted	-	-	127,036	-	-	-	-	5,213,701	-	-	-	1,189,848	2,387,555	3,577,403	-	8,918,140
114	Tenant Security Deposits	59,194	-	-	-	-	-	14,195	-	-	-	-	56,747	104,553	161,300	-	234,689
	Total Cash	7,828,073	-	570,483	-	1,287	570,003	1,081,381	5,213,701	-	-	-	1,279,854	2,976,826	4,256,680	-	19,521,608
Accounts and Notes Receivable:																	
121	Accounts Receivable - PHA Projects	-	-	5,031	-	-	-	-	-	-	-	-	-	-	-	-	5,031
122	Accounts Receivable - HUD	20,368	-	-	-	-	-	-	-	-	-	-	-	-	-	-	20,368
124	Accounts Receivable - Other Government	-	-	-	-	-	-	-	-	4,076,891	-	-	-	-	-	-	4,076,891
125	Accounts Receivable - Miscellaneous	-	-	-	-	-	10,439	42,407	-	-	-	-	-	33,536	33,536	-	86,382
126	Accounts Receivable - Tenants Rents	19,697	-	-	-	-	-	-	-	-	-	-	39,137	8,037	47,174	-	86,871
126.1	Allowance for Doubtful Accounts - Dwelling Rents	(6,921)	-	-	-	-	-	-	-	-	-	-	(9,228)	(4,018)	(13,246)	-	(20,167)
126.2	Allowance for Doubtful Accounts - Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
127	Notes, Loans, & Mortgages Receivable - Current	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
128	Accounts Receivable - Fraud Recovery	-	-	24,660	-	-	-	-	-	-	-	-	-	-	-	-	24,660
	Total Receivables, Net	33,144	-	29,691	-	-	10,439	42,407	-	4,076,891	-	-	29,909	37,555	67,464	-	4,260,036
131	Investments - Unrestricted	571,752	-	-	-	828,067	251,784	-	-	-	-	-	-	-	-	-	1,651,603
142	Prepaid Expenses and Other Assets	57,616	-	18,757	-	-	6,418	25,593	-	-	-	-	56,810	94,546	151,356	-	259,740
144	Interprogram Due From	-	-	-	-	-	7,289	-	-	-	62,639,348	-	-	-	62,639,348	(62,646,637)	-
	Total Other Current Assets	629,368	-	18,757	-	828,067	265,491	25,593	-	-	62,639,348	-	56,810	94,546	62,790,704	(62,646,637)	1,911,343
	Total Current Assets	8,490,585	-	618,931	-	829,354	845,933	1,149,381	5,213,701	4,076,891	62,639,348	-	1,366,573	3,108,927	67,114,848	(62,646,637)	25,692,987
NONCURRENT ASSETS																	
Capital Assets:																	
161	Land	4,196,294	-	-	-	-	-	1,818,108	-	-	-	-	2,593,988	3,380,618	5,974,606	-	11,989,008
162	Buildings	52,405,065	-	-	-	-	-	5,344,634	-	-	-	-	23,722,098	30,269,793	53,991,891	-	111,741,610
163	Furniture and Equipment, Dwellings	25,000	-	-	-	-	-	-	-	-	-	-	934,585	594,610	1,529,195	-	1,554,195
164	Furniture and Equipment, Administration	278,498	-	14,086	-	-	305,826	40,110	-	-	-	-	-	-	-	-	638,520
165	Leasehold Improvements	49,001	-	-	-	-	-	-	-	-	-	-	-	-	-	-	49,001
166	Accumulated Depreciation	(40,460,895)	-	(14,086)	-	-	(275,657)	(4,546,322)	-	-	-	-	(5,063,549)	(5,233,342)	(10,296,891)	-	(55,593,851)
167	Construction in Progress	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
168	Infrastructure	45,255	-	-	-	-	-	3,500	-	-	-	-	-	-	-	-	48,755
	Total Capital Assets, Net	16,538,238	-	-	-	-	30,169	2,660,030	-	-	-	-	22,187,122	29,011,679	51,198,801	-	70,427,238
171	Notes Receivable - Noncurrent	-	-	-	-	-	-	-	-	-	-	18,991,389	-	-	18,991,389	-	18,991,389
174	Other Assets	-	-	-	-	-	-	-	-	-	-	-	28,441	4,270	32,711	-	32,711
	Total Noncurrent Assets	16,538,238	-	-	-	-	30,169	2,660,030	-	-	-	18,991,389	22,215,563	29,015,949	70,222,901	-	89,451,338
	TOTAL ASSETS	<u>\$ 25,028,823</u>	<u>\$ -</u>	<u>\$ 618,931</u>	<u>\$ -</u>	<u>\$ 829,354</u>	<u>\$ 876,102</u>	<u>\$ 3,809,411</u>	<u>\$ 5,213,701</u>	<u>\$ 4,076,891</u>	<u>\$ 62,639,348</u>	<u>\$ 18,991,389</u>	<u>\$ 23,582,136</u>	<u>\$ 32,124,876</u>	<u>\$ 137,337,749</u>	<u>\$ (62,646,637)</u>	<u>\$ 115,144,325</u>

**HOUSING AUTHORITY OF THE CITY OF GALVESTON, TEXAS
FINANCIAL DATA SCHEDULE (CONTINUED)
JUNE 30, 2022**

Line Item #	Accounts Description	Project Total	14. PHC Public Housing CARES Act Funding	Section 8	Family Self-	Disaster	Central Office Cost Center	Business	Development Fund (Other Federal Program 2)	Community	Galveston	GHA	The Cedars at Carver Park, LLC	Villas on the	Blended	Eliminations	Total Entity	TB	
				Housing Choice Voucher Program	Sufficiency Program	Housing Assistance Grant		Activities (Island Community Center)		Development Block Grant (Texas General Land Office)	Public Facilities Corporation (GPFC)	Revitalization Corporation (GHARC)		Strand, LLC	Component Units				
LIABILITIES AND NET POSITION																			
CURRENT LIABILITIES																			
312	Accounts Payable < 90 days	\$ 84,049	\$ -	\$ 5,723	\$ -	\$ -	\$ 14,103	\$ 17,904	\$ -	\$ 4,076,891	\$ 81,612	\$ -	\$ 71,447	\$ 37,785	\$ 190,844	\$ -	\$ 4,389,514	\$ 4,389,514	
321	Accrued Salaries/Payroll Withholding	25,185	-	24,608	-	-	16,566	3,322	-	-	4,129	-	-	-	4,129	-	73,810	73,810	
322	Accrued Compensated Absences	43,078	-	49,760	-	-	70,316	18,022	-	-	16,430	-	-	-	16,430	-	197,606	197,606	
325	Accrued Interest Payable	-	-	-	-	-	-	-	-	-	-	-	10,031	7,306	-	-	17,337	17,337	
331	Accounts Payable - HUD PHA Programs	-	-	150,923	-	-	-	-	-	-	-	-	-	-	-	-	150,923	150,923	
333	Accounts Payable - Other Government	84,739	-	-	-	-	-	-	-	-	-	-	88,019	105,652	193,671	-	278,410	278,410	
341	Tenant Security Deposits	59,194	-	-	-	-	-	14,195	-	-	-	-	56,747	104,553	161,300	-	234,689	234,689	
342	Unearned Revenue	17,444	-	-	-	-	-	-	-	-	-	-	19,275	33,643	52,918	-	70,362	70,362	
343	Current Portion of Long-Term Debt - Capital Projects	-	-	-	-	-	-	-	-	-	63,230	-	-	-	63,230	-	63,230	63,230	
345	Other Current Liabilities	-	-	23	-	3,428	3,682	30,855	3,473,716	-	-	-	1,263	728	1,991	-	3,513,695	3,513,695	
346	Accrued Liabilities - Other	-	-	-	-	-	-	-	-	-	-	-	5,799	16,846	22,645	-	22,645	22,645	
347	Interprogram (Due to)	-	-	-	-	7,289	-	-	-	-	-	-	27,587,253	35,052,095	62,639,348	(62,646,637)	-	-	
	Total Current Liabilities	313,689	-	231,037	-	10,717	104,667	84,298	3,473,716	4,076,891	165,401	-	27,839,834	35,358,608	63,363,843	(62,646,637)	9,012,221	9,012,221	
NONCURRENT LIABILITIES																			
351	Long-Term Debt, Net of Current - Capital Projects/Mortgage Revenue Bonds	-	-	-	-	-	-	-	-	-	3,487,304	-	-	-	3,487,304	-	3,487,304	3,487,304	
353	Noncurrent Liabilities - Other	-	-	1,234,953	-	-	-	-	-	-	-	-	44,275	546,726	591,001	-	1,825,954	1,825,954	
	Total Noncurrent Liabilities	-	-	1,234,953	-	-	-	-	-	-	3,487,304	-	44,275	546,726	4,078,305	-	5,313,258	5,313,258	
	Total Liabilities	313,689	-	1,465,990	-	10,717	104,667	84,298	3,473,716	4,076,891	3,652,705	-	27,884,109	35,905,334	67,442,148	(62,646,637)	14,325,479	14,325,479	
NET POSITION																			
508.4	Net Investment in Capital Assets	16,538,238	-	-	-	-	30,169	2,660,030	-	-	(3,550,534)	-	22,187,122	29,011,680	47,648,267	-	66,876,704	85,868,093	
511.4	Restricted	-	-	99,462	-	-	-	-	1,739,985	-	-	-	1,189,848	2,387,555	3,577,403	-	5,416,850	5,416,850	
512.4	Unrestricted	8,176,896	-	(946,521)	-	-	818,637	741,266	1,065,083	-	62,537,177	18,991,389	(27,678,943)	(35,179,693)	18,669,931	-	28,525,292	9,533,903	
	Total Net Position	24,715,134	-	(847,059)	-	-	818,637	771,435	3,725,113	1,739,985	58,986,643	18,991,389	(4,301,873)	(3,780,458)	69,895,601	-	100,818,846	100,818,846	
TOTAL LIABILITIES AND NET POSITION		\$ 25,028,823	\$ -	\$ 618,931	\$ -	\$ 829,354	\$ 876,102	\$ 3,809,411	\$ 5,213,701	\$ 4,076,891	\$ 62,639,348	\$ 18,991,389	\$ 23,582,136	\$ 32,124,876	\$ 137,337,749	\$ (62,646,637)	\$ 115,144,325	\$ 115,144,325	

**HOUSING AUTHORITY OF THE CITY OF GALVESTON, TEXAS
FINANCIAL DATA SCHEDULE (CONTINUED)
YEAR ENDED JUNE 30, 2022**

Line Item #	Accounts Description	Project Total 14.85	14. PHC Public Housing CARES Act Funding	Section 8	Family Self-	Disaster	Central Office Cost Center	Business	Development Fund (Other Federal Program 2)	Community	Galveston Public Facilities Corporation (GPFC)	GHA	The Cedars at Carver Park, LLC	Villas on the Strand, LLC	Blended Component Units	Eliminations	Total Entity	TB Ch
				Housing Choice Voucher Program 14.871	Sufficiency Program 14.896	Housing Assistance Grant 97.109		Activities (Island Community Center)		Development Block Grant (Texas General Land Office)		Revitalization Corporation (GHARC)						TB
REVENUE																		
70300	Net Tenant Rental Revenue	\$ 1,292,851	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,155,220	\$ 1,622,702	\$ 2,777,922	\$ -	\$ 4,070,773	\$ 4,070,773
70400	Tenant Revenue - Other	3,166	-	-	-	-	-	-	-	-	-	-	15,161	6,982	22,143	-	25,309	25,309
70500	Total Tenant Revenue	1,296,017	-	-	-	-	-	-	-	-	-	-	1,170,381	1,629,684	2,800,065	-	4,096,082	4,096,082
70600	HUD PHA Operating Grants	2,346,719	194,465	16,458,539	63,194	-	-	-	-	-	-	-	-	-	-	-	19,062,917	19,062,917
70610	Capital Grants	1,161,854	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,161,854	1,161,854
70710	Management Fee	-	-	-	-	-	770,980	-	-	-	-	-	-	-	-	-	(770,980)	-
70720	Asset Management Fee	-	-	-	-	-	54,000	-	-	-	-	-	-	-	-	-	(54,000)	-
70730	Bookkeeping Fee	-	-	-	-	-	182,325	-	-	-	-	-	-	-	-	-	(182,325)	-
70800	Other Government Grants	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(451,438)	-
71100	Investment Income - Unrestricted	1,928	-	103	-	2,154	590	129	-	15,386,661	-	-	233,836	217,602	451,438	317	15,386,661	15,386,661
71200	Mortgage Interest Income	-	-	-	-	-	-	-	-	-	-	-	142	175	317	-	5,221	5,221
71400	Fraud Recovery	-	-	4,872	-	-	-	-	-	-	219,651	-	-	-	219,651	(219,651)	-	-
71500	Other Revenue	52,270	-	85,019	-	-	65,568	630,277	-	-	-	-	2,558	919	3,477	(143,144)	693,467	693,467
71600	Gain or Loss on Sale of Capital Assets	-	-	-	-	-	2,267	-	-	-	-	-	-	-	-	-	2,267	2,267
72000	Investment Income - Restricted	-	-	-	-	-	-	-	1,601	-	-	-	-	-	-	-	1,601	1,601
	Total Revenue	4,858,788	194,465	16,548,533	63,194	2,154	1,075,730	630,406	1,601	15,386,661	219,651	-	1,406,917	1,848,380	3,474,948	(1,821,538)	40,414,942	40,414,942
EXPENSES																		
Administrative:																		
91100	Administrative Salaries	261,617	-	502,861	40,674	-	421,947	2,980	-	-	83,512	-	73,501	113,911	270,924	-	1,501,003	1,501,003
91200	Auditing Fees	32,800	-	5,000	-	-	5,000	5,000	-	-	-	-	12,900	12,900	25,800	-	73,600	73,600
91300	Management Fee	477,099	-	218,247	-	-	-	75,634	-	-	-	-	-	-	-	-	-	-
91310	Bookkeeping Fee	39,083	-	143,242	-	-	-	-	-	-	-	-	-	-	-	-	(182,325)	-
91400	Advertising and Marketing	6,215	-	7,483	-	-	103	1,635	-	-	-	-	12,708	20,994	33,702	-	49,138	49,138
91500	Employee Benefit Contributions - Administrative	121,133	-	243,051	22,415	-	176,258	1,325	-	-	28,674	-	16,906	29,922	75,502	-	639,684	639,684
91600	Office Expenses	269,697	-	126,596	-	5,852	99,015	35,938	27,201	-	269,107	-	192,242	268,159	729,508	(141,779)	1,152,028	1,152,028
91700	Legal Expense	17,998	-	17,971	-	-	11,762	3,476	-	-	710	-	24,740	34,040	59,490	-	110,697	110,697
91800	Travel	551	-	1,325	-	-	40,376	-	-	-	-	-	1,176	-	-	-	43,428	43,428
	Total Administrative	1,228,193	-	1,265,776	63,089	5,852	754,461	125,988	27,201	-	382,003	-	334,173	479,926	1,196,102	(1,095,084)	3,569,578	3,569,578
92000	Asset Management Fee	54,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(54,000)	-
Tenant Services:																		
92100	Salaries	35,877	-	-	-	-	-	-	-	-	-	-	-	-	-	-	35,877	35,877
92300	Employee Benefit Contributions	25,813	-	-	-	-	-	-	-	-	-	-	-	-	-	-	25,813	25,813
92400	Other	2,730	84,301	-	-	606	-	-	-	-	-	-	326	-	326	-	87,963	87,963
	Total Tenant Services	64,420	84,301	-	-	606	-	-	-	-	-	-	326	-	326	-	149,653	149,653
Utilities:																		
93100	Water	121,101	-	-	-	-	-	3,422	-	-	-	-	85,421	114,052	199,473	-	323,996	323,996
93200	Electricity	206,418	-	-	-	-	-	76,376	-	-	-	-	22,560	30,398	52,958	-	335,752	335,752
93300	Gas	23,802	-	-	-	-	-	1,600	-	-	-	-	-	-	-	-	25,402	25,402
93600	Sewer	97,311	-	-	-	-	-	1,849	-	-	-	-	87,993	99,544	187,537	-	286,697	286,697
93800	Other Utilities Expense	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Total Utilities	448,632	-	-	-	-	-	83,247	-	-	-	-	195,974	243,994	439,968	-	971,847	971,847
Ordinary Maintenance and Operations:																		
94100	Labor	178,634	-	-	-	-	-	16,258	-	-	-	-	66,598	79,658	146,256	-	341,148	341,148
94200	Materials and Other	407,580	-	1,813	-	1,510	7,619	37,127	-	-	-	-	47,758	42,825	90,583	-	546,232	546,232
94300	Contracts	420,712	-	-	-	-	-	211,744	-	-	-	-	285,178	277,923	563,101	-	1,195,557	1,195,557
94500	Employee Benefits Contribution	94,235	-	-	-	-	-	10,832	-	-	-	-	14,991	20,793	35,784	-	140,851	140,851
	Total Ordinary Maintenance and Operations	1,101,161	-	1,813	-	1,510	7,619	275,961	-	-	-	-	414,525	421,199	835,724	-	2,223,788	2,223,788

**HOUSING AUTHORITY OF THE CITY OF GALVESTON, TEXAS
FINANCIAL DATA SCHEDULE (CONTINUED)
YEAR ENDED JUNE 30, 2022**

Line Item #	Accounts Description	Project Total 14.85	14. PHC Public Housing CARES Act Funding	Section 8	Family Self-	Disaster	Central Office Cost Center	Business	Development Fund (Other Federal Program 2)	Community	Galveston	GHA	The Cedars at Carver Park, LLC	Villas on the	Blended Component Units	Eliminations	Total Entity	TB Cr TB	
				Housing Choice Voucher Program	Sufficiency Program	Housing Assistance Grant		Activities (Island Community Center)		Development Block Grant (Texas General Land Office)	Public Facilities Corporation (GPFC)	Revitalization Corporation (GHARC)		Strand, LLC					
EXPENSES (Continued)																			
Protective Services:																			
95100	Protective Services - Labor	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 53,626	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 53,626	\$ 53,626
95200	Other Contract Costs	45,116	-	-	-	-	-	1,720	-	-	-	-	50,267	66,287	116,554	-	-	163,390	163,390
95300	Protective Services - Other	-	-	-	-	-	-	-	-	-	-	-	40,457	20,627	61,084	-	-	61,084	61,084
95500	Employee Benefit Contributions - Protective Services	-	-	-	-	-	-	24,072	-	-	-	-	-	-	-	-	-	24,072	24,072
95000	Total Protective Services	45,116	-	-	-	-	-	79,418	-	-	-	-	90,724	86,914	177,638	-	-	302,172	302,172
Insurance Premiums:																			
96110	Property Insurance	66,216	-	-	-	-	-	18,756	-	-	-	-	174,001	272,559	446,560	-	-	531,532	531,532
96120	Liability Insurance	2,586	-	6,338	-	-	6,537	1,664	-	-	80	-	-	-	80	-	-	17,205	17,205
96130	Workers' Compensation	9,470	-	2,194	105	-	1,408	1,084	-	-	381	-	3,393	617	4,391	-	-	18,652	18,652
96140	All Other Insurance	123,252	-	-	-	-	-	63,302	-	-	-	-	2,566	3,853	6,419	-	-	192,973	192,973
96100	Total Insurance Premiums	201,524	-	8,532	105	-	7,945	84,806	-	-	461	-	179,960	277,029	457,450	-	-	760,362	760,362
General Expenses:																			
96200	Other General Expenses	208,142	-	56,279	-	-	-	-	-	549	3,656	-	1,667	21,886	27,209	(201,056)	-	91,123	91,123
96210	Compensated Absences	43,078	-	49,760	-	-	70,316	14,694	-	-	16,430	-	-	-	16,430	-	-	194,278	194,278
96300	Payments in Lieu of Taxes	84,739	-	-	-	-	-	-	-	-	-	-	85,537	125,656	211,193	-	-	295,932	295,932
96400	Bad Debt - Tenant Rents	17,128	-	-	-	-	-	15,791	-	-	-	-	18,097	12,183	30,280	-	-	63,199	63,199
96600	Bad Debt - Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
96000	Total General Expenses	353,087	-	106,039	-	-	70,316	30,485	-	549	20,086	-	105,301	159,725	285,112	(201,056)	-	644,532	644,532
96710	Interest of Mortgage or Bonds Payable	-	-	-	-	-	-	-	-	-	219,651	-	121,312	88,618	429,581	(219,651)	-	209,930	209,930
	Total Operating Expenses	3,494,133	84,301	1,382,160	63,194	7,968	840,341	679,905	27,201	549	622,201	-	1,442,295	1,757,405	3,821,901	(1,569,791)	-	8,831,862	8,831,862
Excess of Operating Revenue Over Operating Expenses																			
		1,364,655	110,164	15,166,373	-	(5,814)	235,389	(49,499)	(25,600)	15,386,112	(402,550)	-	(35,378)	90,975	(346,953)	(251,747)	-	31,583,080	31,583,080
97300	Housing Assistance Payments	-	-	15,990,238	-	-	-	-	-	-	-	-	-	-	-	(251,747)	-	15,738,491	15,738,491
97350	HAP Portability-In	-	-	56,588	-	-	-	-	-	-	-	-	-	-	-	-	-	56,588	56,588
97400	Depreciation Expense	1,260,507	-	17,428,986	63,194	7,968	844,307	751,175	27,201	549	622,201	-	876,319	1,092,901	1,969,220	-	-	3,304,963	3,304,963
	Total Expenses	4,754,640	84,301	17,428,986	63,194	7,968	844,307	751,175	27,201	549	622,201	-	2,318,614	2,850,306	5,791,121	(1,821,538)	-	27,931,904	27,931,904
Other Financing Sources (Uses):																			
10010	Operating Transfers In	-	-	150,923	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10020	Operating Transfers Out	-	-	-	-	-	-	(150,923)	-	-	-	-	-	-	-	-	-	-	-
10040	Operating Transfers from/to Component Unit	-	-	-	-	-	-	-	-	(4,076,891)	-	-	-	-	-	-	-	-	-
10080	Special Items (Net Gain/Loss)	-	-	-	-	-	-	-	147,589	(11,309,770)	(149,764)	11,311,945	-	-	11,162,181	-	-	-	-
10091	Inter Project Excess Cash Transfer In	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10092	Inter Project Excess Cash Transfer Out	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10093	Transfers Between Program and Project - In	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10094	Transfers Between Program and Project - Out	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Total Other Financing Sources (Uses)	-	-	150,923	-	-	-	(150,923)	147,589	(15,386,661)	(149,764)	15,388,836	-	-	15,239,072	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENSES																			
		\$ 104,148	\$ 110,164	\$ (729,530)	\$ -	\$ (5,814)	\$ 231,423	\$ (271,692)	\$ 121,989	\$ (549)	\$ (552,314)	\$ 15,388,836	\$ (911,697)	\$ (1,001,926)	\$ 12,922,899	\$ -	\$ -	\$ 12,483,038	\$ 12,483,038
Memo Account Information																			
11030	Beginning Equity	\$ 24,500,822	\$ -	\$ (117,529)	\$ -	\$ 874,731	\$ 509,778	\$ 3,976,759	\$ 1,617,996	\$ 549	\$ 63,141,510	\$ -	\$ (3,390,276)	\$ (2,778,532)	\$ 56,972,702	\$ -	\$ -	\$ 88,335,808	\$ 88,335,808
11040	Prior Period Adjustments, Equity Transfers and Correction	110,164	(110,164)	-	-	(50,280)	30,234	20,046	-	-	(3,602,553)	3,602,553	-	-	-	-	-	-	-
11170	Administrative Fee Equity	-	-	(946,521)	-	-	-	-	-	-	-	-	-	-	-	-	-	(946,521)	(946,521)
11180	Housing Assistance Payments Equity	-	-	99,462	-	-	-	-	-	-	-	-	-	-	-	-	-	99,462	99,462
11190	Unit Months Available	6,768	-	19,341	-	-	-	-	-	-	-	-	1,464	1,920	3,384	-	-	29,493	29,493
11210	Unit Months Leased	6,556	-	19,099	-	-	-	-	-	-	-	-	1,405	1,855	3,260	-	-	28,915	28,915
11270	Excess Cash	7,898,911	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	7,898,911	7,898,911
11620	Building Purchases	1,058,414	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,058,414	1,058,414
11640	Furniture & Equipment - Administrative Purchases	103,440	-	-	-	-	30,234	-	-	-	-	-	-	-	-	-	-	133,674	133,674
11650	Leasehold Improvements Purchases	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
13901	Replacement Housing Factor Funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

SINGLE AUDIT REPORT



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Commissioners
Housing Authority of the City of Galveston, Texas
Galveston, Texas

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Housing Authority of the City of Galveston, Texas (the Authority) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated March 22, 2023. Our report includes a reference to other auditors who audited the financial statements of Cedars at Carver Park, LLC and Villas on the Strand, LLC as described in our report on the Authority's financial statements.

The financial statements of Cedars at Carver Park, LLC and Villas on the Strand, LLC were not audited in accordance with *Government Auditing Standards* and accordingly, this report does not include reporting on internal control over financial reporting or compliance and other matters associated with Cedars at Carver Park, LLC and Villas on the Strand, LLC or that are reported on separately by those auditors who audited the financial statements of Cedars at Carver Park, LLC and Villas on the Strand, LLC.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

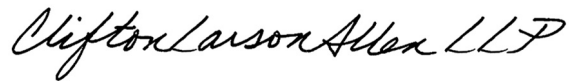
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the Authority’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Fort Worth, Texas
March 22, 2023



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

Board of Commissioners
Housing Authority of the City of Galveston, Texas
Galveston, Texas

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Housing Authority of the City of Galveston, Texas' (the Authority) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended June 30, 2022. The Authority's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

The Authority's basic financials include the operations of Cedars at Carver Park, LLC and Villas on the Stand, LLC, which are included as blended component units. The federal awards for these entities are not included in the Authority's schedules of expenditures of federal awards for the year ended June 30, 2022. Our audit over the Authority's major federal programs did not include the federal awards of these entities because these entities engaged other auditors to perform an audit of compliance, if applicable.

In our opinion, the Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Authority's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Authority's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Authority's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Authority's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Authority's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the Authority's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2022-001, 2022-002 and 2022-003. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on the Authority's response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The Authority's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

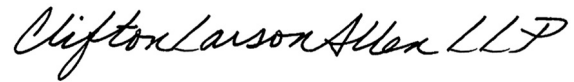
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2022-001, 2022-002 and 2022-003 to be significant deficiencies.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the Authority's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The Authority's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Board of Commissioners
Housing Authority of the City of Galveston, Texas

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

CliftonLarsonAllen LLP

Fort Worth, Texas
March 22, 2023

**HOUSING AUTHORITY OF THE CITY OF GALVESTON, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2022**

Federal Grantor/Pass-Through Grantor/Program Title	Assistance Listing Number	Pass-Through Entity/ Identifying Number	Expenditures to Subrecipients	Federal Expenditures
U.S. Department of Housing and Urban Development:				
Public and Indian Housing	14.850	N/A	\$ -	\$ 1,702,898
COVID-19 Public Housing CARES Act Funding	14.PHC	N/A	-	194,465
Subtotal			<u>-</u>	<u>1,897,363</u>
Section 8 Housing Choice Voucher Program	14.871	N/A	-	16,458,539
Public Housing Capital Fund Program	14.872	N/A	-	1,805,675
Public Self-Sufficiency Program	14.896	N/A	-	63,194
Pass-Through from the Texas General Land Office Community Development Block Grant - Disaster Recovery	14.228	74-6000108	<u>-</u>	<u>15,386,661</u>
Total U.S. Department of Housing and Urban Development			<u>-</u>	<u>35,611,432</u>
Total Expenditures of Federal Awards			<u><u>\$ -</u></u>	<u><u>\$ 35,611,432</u></u>

See accompanying Notes to Schedule of Expenditures of Federal Awards.

**HOUSING AUTHORITY OF THE CITY OF GALVESTON, TEXAS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2022**

NOTE 1 ORGANIZATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) presents the activity of all federal award programs of the Housing Authority of the City of Galveston, Texas (the Authority) for the year ended June 30, 2022. All federal awards received directly from federal agencies, as well as federal awards passed through other governmental agencies, are included on the Schedule.

NOTE 2 BASIS OF PRESENTATION

The Schedule includes the federal award activity of the Authority and is presented on the accrual basis of accounting. The information in the Schedule is presented in accordance with the requirements of the Uniform Guidance. Therefore, some amounts presented in the Schedule may differ from amounts presented in or used in the preparation of the basic financial statements.

NOTE 3 HOUSING CHOICE VOUCHER PROGRAM

In accordance with HUD regulations, HUD considers the Annual Budget Authority for the Section 8 Housing Choice Voucher Program, CFDA No. 14.871, to be considered an expenditure for the purposes of this schedule. Therefore, the amount in this schedule is the total amount received directly from HUD and not the total expenditures paid by the Authority.

NOTE 4 INDIRECT COSTS

The Authority has not elected to use the 10% de minimus indirect cost rate as allowed in the Uniform Guidance, Section 414. The Authority did not charge any indirect costs to its federal programs in 2022.

**HOUSING AUTHORITY OF THE CITY OF GALVESTON, TEXAS
SCHEDULE OF FINDINGS AND QUESTION COSTS
YEAR ENDED JUNE 30, 2022**

Section I – Summary of Auditors’ Results

Financial Statements

1. Type of auditors’ report issued: Unmodified
2. Internal control over financial reporting:
- Material weakness(es) identified? _____ yes x no
 - Significant deficiency(ies) identified? _____ yes x none reported
3. Noncompliance material to financial statements noted? _____ yes x no

Federal Awards

1. Internal control over major federal programs:
- Material weakness(es) identified? _____ yes x no
 - Significant deficiency(ies) identified? x yes _____ none reported
2. Type of auditors’ report issued on compliance for major federal programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? x yes _____ no

Identification of Major Federal Programs

Assistant Listing Number

14.871

Name of Federal Program or Cluster

Section 8 Housing Choice Vouchers

Dollar threshold used to distinguish between Type A and Type B programs:

\$ 1,068,343

Auditee qualified as low-risk auditee?

 x yes _____ no

**HOUSING AUTHORITY OF THE CITY OF GALVESTON, TEXAS
SCHEDULE OF FINDINGS AND QUESTION COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2022**

Section II – Financial Statement Findings

Our audit did not disclose any matters required to be reported in accordance with *Government Auditing Standards*.

Section III – Findings and Questioned Costs – Major Federal Programs

2022-001 HCVP PIC Reporting

Federal Agency: U.S. Department of Housing and Urban Development

Federal Program Name: Housing Choice Voucher Program

Assistance Listing Number: 14.871

Federal Award Identification Number and Year: TX017 - 2022

Award Period: July 1, 2021 through June 30, 2022

Type of Finding:

- Significant Deficiency in Internal Control over Compliance
- Other Matters

Criteria or Specific Requirement: HUD-50058, Family Report (OMB No. 2577-0083) – The PHA is required to submit this form electronically to HUD each time the PHA completes an admission, annual reexamination, interim reexamination, portability move-in, or other change of unit for a family. The PHA must also submit the Family Report when a family ends participation in the program or moves out of the PHA's jurisdiction under portability (24 CFR Part 908 and 24 CFR section 982.158).

Prior Year Finding: This finding is not a repeat finding in the immediate prior year.

Condition: During our testing, we noted the Authority did not have adequate internal controls designed to ensure that special reporting requirements were being met.

Questioned Costs: None

Context: Of the 40 HUD-50058's tested; we noted that 4 out of 40 were not uploaded timely to HUD's PIH Information Center (PIC). Our sample was a statistically valid sample.

Cause: The Authority does not have controls in place to ensure that special reporting requirements are being met.

Effect: The Authority is not in compliance with program requirements over special reporting.

Recommendation: The Authority should implement processes to ensure HUD-50058 submissions are submitted into the PIC system timely.

View of Responsible Officials: There is no disagreement with this finding.

**HOUSING AUTHORITY OF THE CITY OF GALVESTON, TEXAS
SCHEDULE OF FINDINGS AND QUESTION COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2022**

Section III – Findings and Questioned Costs – Major Federal Programs (Continued)

2022-002 HCVP Eligibility

Federal Agency: U.S. Department of Housing and Urban Development

Federal Program Name: Housing Choice Voucher Program

Assistance Listing Number: 14.871

Federal Award Identification Number and Year: TX017 – 2022

Award Period: July 1, 2021 through June 30, 2022

Type of Finding:

- Significant Deficiency in Internal Control over Compliance
- Other Matters

Criteria or Specific Requirement: Most PHAs devise their own application forms that are filled out by the PHA staff during an interview with the tenant. The head of the household signs (a) one or more release forms to allow the PHA to obtain information from third parties; (b) a federally prescribed general release form for employment information; and (c) a privacy notice. Under some circumstances, other members of the family are required to sign these forms (24 CFR sections 5.212 and 5.230).

The PHA must do the following:

(1) As a condition of admission or continued occupancy, require the tenant and other family members to provide necessary information, documentation, and releases for the PHA to verify income eligibility (24 CFR sections 5.230, 5.609, and 982.516).

(2) For both family income examinations and reexaminations, obtain and document in the family file third party verification of (1) reported family annual income; (2) the value of assets; (3) expenses related to deductions from annual income; and (4) other factors that affect the determination of adjusted income or income-based rent (24 CFR section 982.516).

(3) Determine income eligibility and calculate the tenant's rent payment using the documentation from third party verification in accordance with 24 CFR Part 5 Subpart F (24 CFR section 5.601 et seq.) (24 CFR sections 982.201, 982.515, and 982.516).

(4) Select tenants from the HCVP waiting list (see III.N.1, "Special Tests and Provisions – Selection from the Waiting List") (24 CFR sections 982.202 through 982.207).

(5) Reexamine family income and composition at least once every 12 months and adjust the tenant rent and housing assistance payment as necessary using the documentation from third party verification (24 CFR section 982.516).

**HOUSING AUTHORITY OF THE CITY OF GALVESTON, TEXAS
SCHEDULE OF FINDINGS AND QUESTION COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2022**

Section III – Findings and Questioned Costs – Major Federal Programs (Continued)

2022-002 HCVP Eligibility (Continued)

Prior Year Finding: This finding is not a repeat finding in the immediate prior year.

Condition: During our testing, we noted the Authority did not have adequate internal controls designed to ensure that eligibility requirements were being met.

Questioned Costs: \$1,725

Context: Out of 40 tenants tested, we noted 5 instances where there was a difference between the third-party verification and what was reported on the HUD-50058, all of which could have a potential impact on the Housing Assistant Payments (HAP) calculation. Our sample was a statistically valid sample.

- One instance of missing third party verification information of income.
- Four instances of incorrect income reported on the HUD-50058.
- Two instances of incorrect reporting / deduction of expenses on the HUD-50058

Cause: The Authority does not have controls in place to ensure it is meeting all eligibility requirements set by HUD.

Effect: The Authority is not in compliance with program requirements over eligibility.

Recommendation: The Authority should implement processes to ensure that all documentation is received and that the correct inputs are being accurately reported on the HUD-50058.

View of Responsible Officials: Management agrees with the finding.

2022-003 HCVP HQS Inspections

Federal Agency: U.S. Department of Housing and Urban Development

Federal Program Name: Housing Choice Voucher Program

Assistance Listing Number: 14.871

Federal Award Identification Number and Year: TX017 – 2022

Award Period: July 1, 2021 through June 30, 2022

Type of Finding:

- Significant Deficiency in Internal Control over Compliance
- Other Matters

**HOUSING AUTHORITY OF THE CITY OF GALVESTON, TEXAS
SCHEDULE OF FINDINGS AND QUESTION COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2022**

Section III – Findings and Questioned Costs – Major Federal Programs (Continued)

2022-003 HCVP HQS Inspections (Continued)

Criteria or Specific Requirement: The PHA must inspect the unit leased to a family at least biennially to determine if the unit meets Housing Quality Standards (HQS) and the PHA must conduct quality control re-inspections. The PHA must prepare a unit inspection report (24 CFR sections 982.158(d) and 982.405(b)).

For units under HAP contract that fail to meet HQS, the PHA must require the owner to correct any life threatening HQS deficiencies within 24 hours after the inspections and all other HQS deficiencies within 30 calendar days or within a specified PHA-approved extension. If the owner does not correct the cited HQS deficiencies within the specified correction period, the PHA must stop (abate) HAPs beginning no later than the first of the month following the specified correction period or must terminate the HAP contract. The owner is not responsible for a breach of HQS as a result of the family's failure to pay for utilities for which the family is responsible under the lease or for tenant damage. For family-caused defects, if the family does not correct the cited HQS deficiencies within the specified correction period, the PHA must take prompt and vigorous action to enforce the family obligations (24 CFR sections 982.158(d) and 982.404).

Prior Year Finding: This finding is not a repeat finding in the immediate prior year.

Condition: During our testing, we noted the Authority did not have adequate internal controls designed to ensure that HQS inspection requirements were being met.

Questioned Costs: None

Context: Of the 40 annual HQS inspections tested, it was noted that 8 out of 40 units were not inspected on a biennial basis.

Of the 40 failed HQS inspection tested, it was noted that 3 units were not reinspected within 30 days of the initial failure date.

Our sample was a statistically valid sample.

Cause: The Authority does not have adequate internal controls designed to ensure that HQS inspection requirements were being met.

Effect: The Authority is not in compliance with program requirements over HQS Inspections.

Recommendation: The Authority should implement processes to ensure all HQS biennial and re-inspections are completed timely and that there is proper documentation of approved extensions and abatements.

View of Responsible Officials: Management agrees with the finding.



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